EGYPT OIL&GAS NEWSPAPER

Edison: An aggressive $400 million investment in 2010

By Mohamed Fouad

Made a historic deal at a time when everybody was cutting down their investments, believed in the high potentials of Abu Qir Concession and trusted their expertise and abilities to achieve prosperous accomplishments, Edison promises more vigorous plans this year in Egypt as Mr. Maurizio Coratella, Edison Country Manager, told Egypt Oil & Gas

Continued on page 12

El-Sharkawi: at least 20% production increase in 2010

Dana Gas, known by being one of the most active companies in Egypt, celebrated the new year of 2010 with the successful achievement of its 2009 production target in excess of 40 thousand boepd; a 27% increase at the end of year production compared to 2008

Continued on page 13

Egyptian Fields Development Co. kicks off its 1st mission

The Egyptian Fields Development Company (EFDC) prepare for its first operations in the fields of General Petroleum Company (GPC).

The GPC fields are characterized by their heavy oil, 12-18 API, located in the Eastern Desert and in the area of Abu Senan in the Western Desert.

A year ago, EFDC submitted a request to develop the GPC fields after it managed to receive approvals to utilize the production facilities of some Egyptian companies operating in the same area.

The company is also planning to develop the Jazurina Field producing 15,000 bpd of crude oil, held by the Egyptian General Petroleum Corporation (EGPC), which was operated by the U.S Marathon Company.

It is worth mentioning that this is the first operation to be held by EFDC since its establishment last year.

Interview Al-Howqal: Regardless delay of martial permits, Western Desert is full of potentials for investors

Since the initiation of its activities in Egypt, Kuwait Energy Company (KEC) has been strengthening its steps in the industry. However, its ambitious plans to further expand are hindered by some obstacles that slow down its investment wheel. Mohammed Al-Howqal, Kuwait Energy Chief Operation Officer, sheds light on these obstacles and reveals the company's 2010 plan in Egypt

Continued on page 14

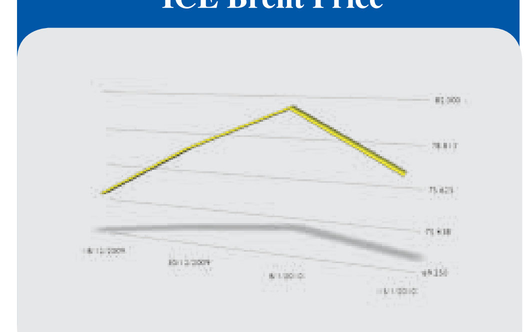
Petro Alam nails a new discovery in Al-Karam 3

Petro Alam Company announced its successful discovery in the area of Western Desert, from Al-Karam 3 field.

The production rate recorded 2000 barrels of oil and 225 million cubic feet of gas, with a surface flow pressure of 3565 lb/inch.

Over the last two months, the company had to sidetrack its drilling paths twice due to some technical issues. Despite these changes, the company conducted additional studies to assure the existence of oil in the deep layers.

ICE Brent Price



Industry Statistics... page 22

Foreign investments... the industry thermometer

Back to the early 2000s, the volume of foreign direct investment (FDI) was considerably modest. However, since 2004, the portfolio investment had remarkably increased, before being affected by the global economic crisis in 2008-2009.

During this fiscal year, specifically the first three quarters, Egypt's net FDI dropped from $11.3 billion to $5.2 billion, according to the Central Bank of Egypt (CBE). Overall, net FDI inflows to Egypt reached $13.2 billion in 2007/08 compared with $11.6 billion in 2006/07, but amounted to only $4 billion in the first half of 2008/09.

Leaving the big picture and focusing on the petroleum industry, the oil and gas investments accounted for 68.8% of net inflows during the first half of the fiscal year of 2008-2009, compared to only 31.1% of net flows in 2007-2008. The CBE declared that the portfolio investment showed a net outflow of $8.9 billion in the first seven months of the 2008/09 compared with a $1.4 billion net outflow during the previous corresponding period.

One of the biggest investors in Egypt's petroleum sector is the U.S.A. the American investments in oil and natural gas represents more than two-thirds of total U.S investments in the country. Direct FDI from the U.S into Egypt counted for only $1.9 billion in the second half of the 2008 calendar year, compared with $3.7 billion in the same period of 2007, reflecting the weakening economy in the U.S. Despite this decrease, U.S Apache Corp, the largest U.S investor in Egypt, announced that it would invest $1 billion in the Western Desert during 2010.

FDI from the European Union was down overall, although it rose in the fourth quarter on a year-on-year basis, accounting for the largest share (42% of total) over the full six-month period. The majority of European investment originated in the UK. Most British investment goes to Egypt's hydrocarbons sector, where several attractive discoveries have been made in the last year and exploration continues. Circle Oil, an Irish oil and gas exploration company made a major discovery of oil and gas in the onshore North West Gemsa Concession in Egypt in January in addition to the U.S investment, many European companies, such as British Gas (UK), Gaz de France (France) and Union Fenosa (Spain) have also stepped up their interest in the Egyptian market, particularly to develop liquefied natural gas (LNG) exports to Europe. Deliveries from a Damietta liquefaction plant to Spanish power-generation plants began in early 2005.

According to the Minister of Petroleum Eng. Sameh Fahmy, LNG production could attract as much as $20 billion in FDI by 2010. The Minister conducted a number of meetings with the companies' top management to discuss different facilities that can be offered by the Ministry to encourage more investments into the country, believing that the year of 2010 would bring some relief to the industry.

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Sea Dragon acquires 50% working interest in the Kom Ombo Area

Sea Dragon Energy Inc announced that its wholly owned subsidiary, Sea Dragon Energy (Kom Ombo) Ltd. signed a Farm-out Agreement with Dana Gas Egypt pursuant to which Sea Dragon will acquire a 50% percent participating interest in the Kom Ombo (Block-2) Concession, located approximately 1,000 km south of Cairo on the West Bank of the Nile River.

Sea Dragon's acquisition of a participating interest in the Kom Ombo (Block-2) Concession is subject to the consent and approval of the responsible authority.

The Kom Ombo (Block-2) Concession is a large exploration block (approximately 11,446 Sq. Km) that contains the Al-Baraka Development Lease. The Al-Baraka oil field is located in the Al-Baraka Development Lease and according to Sea Dragon's internal estimates, has a discovered, undeveloped oil accumulation of approximately 100 million barrels of Original Oil in Place as Discovered Resources in two productive zones.

Four wells were drilled in the field of which three wells are currently on production at approximately 850 bopd. According to DGE's latest Press Release, the fourth well drilled in the Al-Baraka field has encountered approximately 50 feet of oil pay in the previously defined reservoirs and some 25 feet of oil pay in a new reservoir. Preliminary testing of the new zone indicates the well to be capable of producing at a maximum rate of 1300bopd. The Al-Baraka wells are shallow vertical wells (4500 feet) and the oil is light, 37 Degree API. Under the terms of the Al-Baraka Development Lease, the holders of the lease have the right to produce the field for a period of 20 years with possible extensions.

Future development plans for the Al-Baraka oil field include the drilling of some 30-development wells over the next several years. Horizontal drilling and specialized fracturing are the techniques being considered in order to maximize production rates and oil recovery.

According to Sea Dragon's internal estimates, the Kom Ombo (Block-2) Concession currently has an additional 300 million barrels of Original Oil in Place as Undiscovered Resources in multiple oil zones.

The Concession is currently in its third and final exploration phase, which will end in 2012. A 280 sq. km 3-D seismic program is planned to be followed by a three-well exploratory drilling program targeting multi-level prospects away from the Al-Baraka field.

The total consideration paid by Sea Dragon to Dana Gas is $45million subject to working capital adjustments. This consideration is to be paid in full by April 30, 2010. Approximately $20million shall be cost recoverable by Sea Dragon out of future production revenue. As owner of a 50% participating interest in the Kom Ombo (Block-2) Concession, Sea Dragon will be required to pay its 50% share of future expenditures and is entitled to receive a 50% share of all future production revenues and 50% of all cost recoveries as specified in the Concession Agreement. Under the terms of the Farm-out Agreement, Sea Dragon and DGE will jointly operate the Kom Ombo (Block-2) Concession.

Commenting on the acquisition, Said Arrata, Sea Dragon's Chairman and CEO said, "This is a very significant event in the growth cycle of our Company. It marks our second success in aggressively acquiring discovered undeveloped resources with significant exploration upside. We are very excited about the development potential of the Al-Baraka Field. The Kom Ombo (Block-2) Concession is a very attractive and highly prospective concession block for which we have high expectations. We are looking forward to jointly operating this property with DGE and are optimistic that we can achieve significant production levels over the short term through the application of new technologies."

Sea Dragon is an international exploration and development company with a focus on North Africa and Sub-Saharan Africa and offices in Calgary, Canada and Cairo, Egypt.

Apache hits its 6th discovery in the Western Desert

Apache Corporation reported that its WKAL-A-2X discovery tested 5,085 barrels of oil and 130 thousand cubic feet (Mcf) of gas per day - the fourth successful exploration test in West Kalabsha Concession and the company's sixth discovery in the Faghur Basin play in Egypt's far Western Desert near the Libyan border.

The WKAL-A-2X discovery is located about one-half mile north of the Apache WKAL-A-1X discovery and five miles west of Apache's Phiops Field.

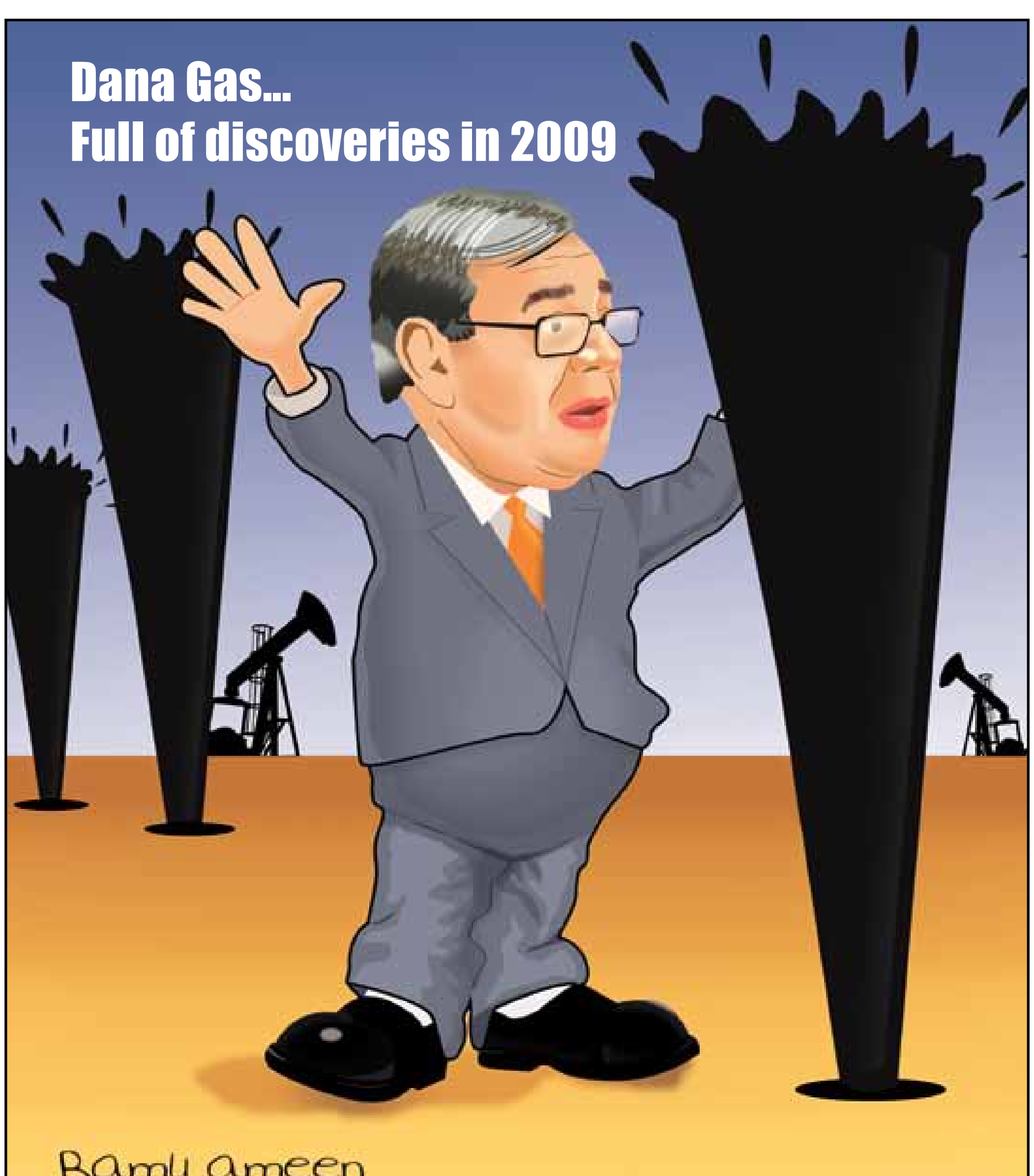
"With this latest discovery and other recent wells, we anticipate production from the Phiops-West Kalabsha area will double to 20,000 barrels per day as additional infrastructure is brought on line in the third quarter," said Rod Eichler, Apache's Co-Chief Operating Officer and President - International. "We estimate the discovered resource potential in the Phiops and Kalabsha areas exceeds 50 million barrels of oil equivalent.

"Several additional prospects have been identified, and we are acquiring more three-dimensional seismic in the Faghur Basin in order to extend this string of successes both to the northeast and southwest of this most recent discovery," he said. "The thickness of the sands and the stacked pay zones make this a very attractive area for further exploration."

Apache plans to drill seven additional exploration wells in the Faghur Basin play during 2010.

The latest well was designed to test Cretaceous-age Alam El Buieb (AEB) formations in a new fault block in a structurally higher position than the WKAL-A-1X well. The WKAL-A-2X well logged a total of 198 feet of pay in four AEB intervals including the 3G interval which was highly productive in a test of the WKAL-A-1X well. The latest well was perforated over the top 10 feet of a 29-foot section of the AEB-3C10 sand.

Apache has applied for a development lease with the Egyptian General Petroleum Company for both discoveries. Apache operates the West Kalabsha Concession and has a 100-percent contractor interest.



Vegas welcomes Shell Egypt in Alam El Shawish West Concession

Egypt received ministerial approval to effect agreements signed with Vegas Oil & Gas and GDF SUEZ to acquire a 20% interest from each in the Alam El Shawish West Concession, in the Western Desert area.

Within the consortium, Shell Egypt will hold 40% and will become the operator, Vegas 35% and GDF SUEZ 25%. There are existing oil and gas discoveries in the concession with plans in place to boost production.

Shell companies in Egypt are wholly owned by the Royal Dutch Shell plc. Active in Egypt since 1911, Shell Egypt business today spans Upstream Oil and Gas Exploration & Production, Downstream marketing and gas distribution. Most of Shell's upstream operations are located in the Western Desert. However, Shell's business portfolio also includes stakes in the offshore Nile Delta concessions of North West Damietta, North Damietta and the ultra deep water North East Mediterranean (NEMed).

"Farming-in into this block fits within our plans to expand Shell's activities and investments in Egypt. As operator of the concession, our technical and operational expertise and established Western Desert infrastructure will allow us to create maximum value for the country and all partners", said Ahmad Atallah, Chairman, Shell Companies in Egypt.

Fahmy: 520 new exploratory oil wells in 2010

The Egyptian Minister of Petroleum Eng. Sameh Fahmy announced that Egypt is expected to have 520 exploratory and development wells for oil and 36 for natural gas to be drilled in 2010.

Fahmy added that the oil wells would cost $2 billion, while the gas wells, to be drilled in the Nile Delta and offshore in the Mediterranean, would cost more than $1 billion.

According to earlier reports by Al Ahram Newspaper, the Ministry's Spokesman Hamdy Abdel Aziz confirmed that the drilling would be conducted in the concession areas awarded by the Egyptian General Petroleum Corporation (EGPC).

Egypt's proven natural gas reserves rose 1.1 trillion cubic feet to about 77.2 trillion cubic feet in the year to June 30, while crude oil and condensates reserves rose 220 million barrels to 4.4 billion barrels, announced the Ministry last July.

It's worth mentioning that Egypt, considered as a significant natural gas exporter, decided not to sign any new gas export contracts until 2010 in order to meet rising local demand.

Sudan seeks to buy natural gas from Egypt

Egypt has received a formal request from Sudan to close a gas supply deal, according to a newspaper report.

The Egyptian Petroleum Minister Eng. Sameh Fahmy told the private-owned newspaper Al Youm Al Sabe' that his government is still considering supplying its southern neighbor with natural gas, specially after the decision not to sign any new gas export contracts until 2010 in order to meet rising local demand.

Fahmy pointed that Sudan's interest came after the Egyptian natural gas pipeline extended to reach Aswan city close to the Southern borders.

Egypt's proven natural gas reserves rose to around 77.2 trillion cubic feet in the 2008/09 economic year, as Egypt is a significant natural gas exporter and currently exports 200-250 million cubic feet of natural gas to Jordan, its main export market, according to the Egyptian Natural Gas Holding Company (EGAS).

North Shadwan on schedule

BP has started drilling the NS 377-5 development well at the North Shadwan concession off Egypt, the well is targeting oil in the Kareem formation.

The well spudded on 12 January after an earlier exploration well, NS 377-4 was plugged and abandoned, according to North Shadwan's partner, Beach Petroleum.

The North Shadwan blocks lie in water depths of 20 meters to 40 meters, two to four kilometers offshore from the eastern shore of the Gulf of Suez.

The shallow water location of the fields enables development by deviated drilling from onshore where all production facilities are located, for delivery of the oil via an 11-kilometer onshore pipeline to an established processing plant.

Production is scheduled for start-up around June this year. The development cost is expected to hit $60 million.

Quotes

"We anticipate production from the Phiops-West Kalabsha area will double to 20,000 barrels per day as additional infrastructure is brought on line in the third quarter"

Rod Eichler, Apache's Co-Chief Operating Officer and President commenting on the new discovery in Egypt's Western Desert

"It is clear that 2010 will also be a very busy year for us"

Hany Elsharkawi, Dana Gas Egypt Country Manager

"I do not think that an action is to be taken - I mean increased productivity- unless the price reaches $100, because of the rise and fall in the market price"

Shokry Ghanam, Chairman of Libya's National Oil Corporation expecting OPEC not to change the production rates

"This is a very significant event in the growth cycle of our Company. It marks our second success in aggressively acquiring discovered undeveloped resources with significant exploration upside… The Kom Ombo (Block-2) Concession is a very attractive and highly prospective concession block for which we have high expectations"

Said Arrata, Sea Dragon's Chairman and CEO commenting on the acquisition of the Kom Ombo (Block-2) Concession

Echem to inaugurate new methanol complex in Damietta

Hany Soliman, President and Chairman of the board of the Egyptian Petrochemicals Holding Company (Echem), announced that preparation are taking place for the inauguration of methanol production complex in Damietta, with investments reaching up to $950 million.

The complex, scheduled to start operations this year, is characterized by a production capacity of 1.3 million tons annually.

Soliman also stressed on the importance of building a polypropylene plant in Port Said, which would help to increase exports as well as to provide the opportunity of founding several small and middling industries with a polypropylene manufacture capacity up to 400 thousand tons per year.

The total investments of two projects are estimated at $1.7 billion.

China unveils world's largest solar office building

China is often dubbed as a heavy user of fossil fuels and polluter or a climate killer. Because it meets the 70% of its power needs by exploiting coals. But they are making changes on the environment front too. Slowly and steadily they are choosing wind and solar power as their source of energy. China has earned the distinction of having the world's largest solar-powered building. It is situated in Dezhou, Shangdong Province in northwest China. The building covers an area of 75,000-square-meter. The office building is modeled after the sun-dial structure.

The building provides many services such as space for exhibition centers, scientific research facilities, meeting and training facilities and a sustainable hotel. This building is named as the Sun and the Moon Altar micro-row buildings. The solar building has a white exterior that represents clean energy.

The building will procure 95% of its energy needs from alternative energy sources. They have installed a 5000 square meter solar panel array on the building complex. This building also has the facilities of solar hot water, a solar desalination plant and a solar energy theme park.

Dezhou can safely be termed as a solar city because among 5.5 million people living in this city most of them opted for the solar hot water systems. In this city, solar energy is all pervasive. It powers everything from street lighting to tourist cars.

Greenpeace put forth some statistics for this city. According to them, in 2007, 800,000 people in Dezhou had jobs in the solar panel industry. Greenpeace predicts that this figure is expected to grow to 1,500,000 by 2020.

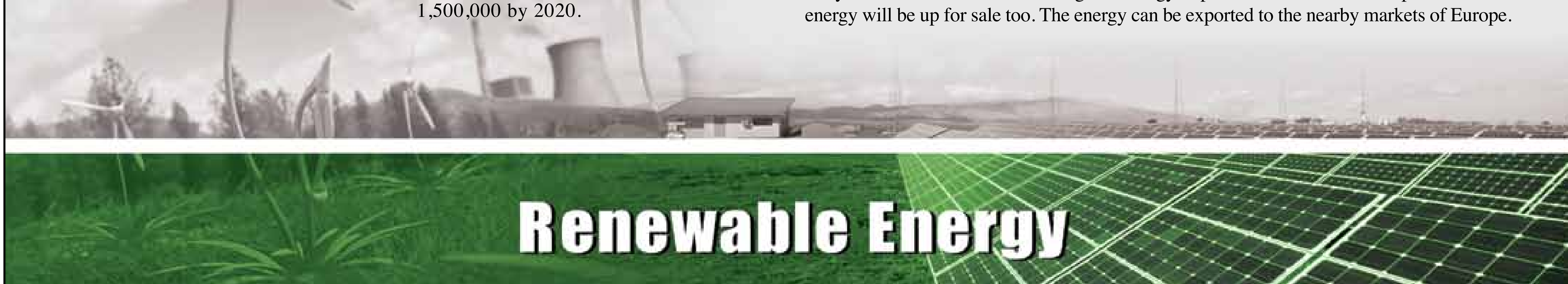
World Bank to invest in North African Solar

The World Bank will invest $5.5 billion for North African solar power projects. They have announced that initially World Bank will put in $750 million from the Clean Technology Fund with the remaining amount will be arranged from other sources. World Bank is expecting to complete these projects by 2015. They are willing to include five countries in this project and hoping to triple world wide concentrated solar power technology (CSP) capacity. This relatively new technology uses mirrors to concentrate sunlight onto a single point, heating water to drive turbines. Construction of the 11 facilities in the project is scheduled to begin in 2011. It is expected that the North African project will generate a total of 900 MW in capacity by 2020.

The project will save 1.7 million tons of greenhouse gases per year. That will be equal to taking 600,000 cars off the road. It is estimated that 10,000 jobs may be created by this project. This project will include Algeria, Egypt, Jordan, Morocco and Tunisia. It will provide energy to countries in the area as well as to Europe. Europe will act as the nerve center of the production jobs. U.K is willing to invest 56 million pounds or $91 million USD in this project. Gareth Thomas is the International Development Minister. He shares his opinion, "Large-scale solar projects such as this have the potential to power the globe in the coming decades, offering us a route away from fossil fuels and limiting the potentially devastating impacts of climate change. Global financial support for renewable energy is absolutely vital if we are to meet the international emissions targets we are pushing for at Copenhagen."

In terms of generating electricity it might not make a big impact, the project could change the economics and the quality of life for many in the region. It goes without saying that the solar project will give the necessary boost to the market for a growing solar infrastructure. The PR material claims "accelerate cost reduction for a technology that could become least-cost globally."

The most important beneficiaries of the CSP project will be the citizens of North Africa. They will be able to use clean and green energy to power their homes. But a portion of this energy will be up for sale too. The energy can be exported to the nearby markets of Europe.



Oman oil refinery sees fall in 2009 production

The quantity of oil used at Oman Oil Refineries and Petrochemicals Company declined by 7.2 percent during the first ten months of 2009, in comparison to the same period in 2008, a statistics bulletin issued by the National Economy Ministry said.

Overall production in October 2009 was 29,822,300. In October 2008, the same figure was 32,149,300.The bulletin also pointed out that production by the company declined by 4.1 percent by the end of October 2009 to 29,962,100 barrels as compared to 31,241,000 barrels in 2008.

Products in production included super and regular car petrol. Super petrol production rose by 26 percent in October 2009, to 3,743,300 barrels from 2,970,000 barrels in the corresponding period in 2008.In the same period, the production of regular petrol declined by 25.6 percent to 1,813,300 barrels in the first ten months of the year. In 2008, the same figures stood at 2,483,200 barrels. The production of aircraft fuel rose by 4.8 percent to 2,712,400 barrels as compared to 2,588,200 barrels. Diesel production declined by 14.8 percent to 5,763,800 barrels by the end of October 2009, as compared to 6,761,400 barrels in the previous year. The bulletin said that production of the petrol gas, Biotin, fell by 3.8 percent to 741, barrels as compared to 770,500 barrels in October 2008.The products of refinery waste rose by 5.7 percent to 16,160,700 barrels by October 2009. The previous year's figures stood at 15,289,400 barrels during the same period.

ADNOC lowers selling price of oil exports

Abu Dhabi National Oil Co (ADNOC), which exports most of its oil to Asia, lowered official December selling prices after they reached the highest level in 14 months in last November.

ADNOC posted its main Murban crude grade at $76.10 a barrel, $2.50, or 3.2 percent, lower than in November, according to the company's statement posted online.

The December price for Lower Zakum was cut to $75.85 a barrel, while Umm Shaif was posted at $75.60 and Upper Zakum at $74.75.

Crude oil in New York, the global benchmark, ended December trading at $79.36 a barrel, capping its biggest annual gain since 1999. Oil climbed 78 percent in 2009.

The UAE is the fourth largest producer in the Organization of Petroleum Exporting Countries, which pumps 40 percent of the world's crude. The country produced 2.27 million barrels a day in December, according to a Bloomberg News survey.

Libya: OPEC will not raise production

A senior Libyan oil official said that his country is pleased with the current oil price, around $80 a barrel, adding that the Organization of Petroleum Exporting Countries (OPEC) is not expected to increase the production unless the price of barrel reaches $100.

These comments indicate that some of the organization's members see no need to place a limit on the high oil prices, after the price reached its highest level in 15 months, to reach nearly $84 per barrel.

"With the price at the moment... We are satisfied" said Shokry Ghanem, the Chairman of Libya's National Oil Corporation, "I do not think that an action is to be taken - I mean increased productivity- unless the price reaches $100, because of the rise and fall in the market price and it could reach $90 within a few days and then back down," he added.

OPEC did not mention any change in its policy in 2009, after having a record cut in 2008 with the falling in demand and prices because of the economic recession. OPEC does not

have an official aim of prices, but many of the members agreed with the vision of Saudi Arabia, world's largest oil exporter, that oil price between $70 and $80 is suitable for consumers, producers, and investors.

Ghanem pointed that there are no expectations for the price to reach $100 any time soon, and he did not want to look at this price figure as a way to push OPEC to change the cost, "I will not say that $100 is a line break."

Rise in LNG production to boost Qatar's income

A surge in liquefied natural gas (LNG) production will sharply boost Qatar's income in the next two years and this will largely widen its fiscal surplus, a key Saudi bank said.

Qatar will also be among a few countries to record high real GDP growth this year despite the steep decline in oil prices compared with 2008 and a cut in its crude output in line with an Opec's collective agreement to trim supplies to bolster prices, the Saudi Arabian Monetary Agency (Sama) said in a new study.

Samba said it was sticking to its previous projections that Qatar's real gross domestic product would swell by about 9.4 per cent in 2009 and accelerate to 18.1 per cent in 2010 before slowing to 13.3 per cent in 2011.

"Boosted by rising LNG and NGL output and recovering oil prices, government revenues are projected to surge to an average of more than $50 billion (Dh183.5bn) a year," the study said.

"This will push the fiscal surplus from an estimated two per cent of GDP in 2009/2010 to 7.4 per cent in 2011/2012, despite large projected increases in capital spending directed mainly at construction and infrastructure," it said.

Sama estimated Qatar's total oil and gas export earnings at about $44.2bn in 2009 and nearly $64.3bn in 2010. In 2011, the income is projected to climb to its highest level of about $80.8bn, the study said.

Qatar, the world's third- largest gas power after Russia and Iran, has not announced its 2010-2011 budget as the current fiscal year ends on March 31.

Its present 2009-2010 budget assumed spending at QR94.5bn (Dh95.38bn) and revenues at QR88.7 billion, leaving a nominal deficit of QR5.8bn.

Sama gave no figures on the actual surplus in the 2009-2010 budget but at two per cent, it is estimated at around QR7.2 billion for a GDP of QR362bn.

Official figures showed Qatar's LNG exports stood at 30 million tones in 2008 and are expected to soar to 54 million tones in 2009 with the installation of new production trains.

About 20.7 million tones were produced by government-controlled Rasgas while the rest were pumped by Qatargas, another key LNG producer owned by the government and foreign partners.

By 2012, Rasgas will be producing nearly 36.2 million tones while Qatargas' output will reach 41 million tones per year.

Qatar launched such projects in early 1990s to tap its mammoth offshore North Field, which straddles nearly 6,000 square kilometers of Qatari and Iranian water in the Gulf and is believed to be the world's largest single reservoir of non-associated gas, with estimated reserves of 902 trillion cubic feet.

According to Qatari National Bank, LNG sales fetched Qatar nearly QR58.8bn in 2008, far higher than the 2004 LNG income of QR19.8bn. The earnings are projected to sharply grow in the coming years after all the projects are completed and Qatar becomes the world's dominant LNG supplier.

"Bolstered by rising production of LNG and associated natural gas liquids (NGL), the Qatari economy has been able to ride out the global economic storm during 2009 and post real growth," Samba said.

"GDP growth is estimated at 9.4 percent in 2009. A further acceleration to 18 percent and 13 percent is projected for 2010-2011, respectively, as new LNG trains come on stream and the government's robust counter-cyclical fiscal policy continues to boost economic activity."

The report said that with increasing revenue flows from hydrocarbon exports and immediate access to around $10bn in funds raised through sovereign bond issues during 2009, the government is "well placed" to advance its development and diversification agenda during 2010-2011. "Spending on infrastructure, construction and public wages is likely to rise rapidly, stimulating robust growth in the non-hydrocarbons sector," it said.

Towards a brighter future in natural gas production

Natural Gas distribution continues to occupy major importance in MENA region as it is considered one of the investment priorities of the country

By Christine Nabil

Dr. Muhammad –Ali Zainy, Senior Energy Economist and Analyst in the Center for Global Energy Studies told Egypt Oil& Gas that Iraq makes more profits from exporting oil than from exporting gas, that's why it applies the strategy of rational domestic utilization of gas.

This came during the event of MENA Natural Gas Distribution Summit 2010, held last month in Cairo, from 18th to 20th of January under the auspices of Eng. Sameh Fahmy, Egyptian Minister of Petroleum. The summit discussed Egypt's position in the central and distinct global gas industry, also the importance of continuing to intensify efforts to explore for oil and gas in all areas of Egypt in cooperation with major international oil companies.

Zainy added that it is also cheaper to generate electricity by using gas than using oil. Also, it reduces the emission of carbon, which is better for the environment and help resisting global warming.

There are also two ways to revive the Iraqi economy as natural gas can be industrialized to produce petrochemicals, which could be sold for higher prices. The Iraqi analyst added that cooperation between Egypt and Iraq can occur in the area of oil and gas investment through the establishment of joint ventures between the two countries and the exchange of expertise, as Iraq lost most of its experts during the former rule of President Saddam Hussein.

In his opening speech, Eng. Sameh Fahmy highlighted that the most important achievements made over the past ten years are the increase of proven reserves of natural gas to about 77.2 trillion cubic feet and the high volume of production of natural gas to exceed the 45.8 million tons. He also referred to the efforts of the petroleum sector to meet the increase of consumption rate.The speech, which was addressed On behalf of the Minister by Eng. Mahmoud Latif, Chairman of the Egyptian Natural Gas Holding Company (EGAS), pointed out that the South Valley Pipeline which extends to 930 kilometers to Aswan would contribute to achieving a cultural shift in different parts of Upper Egypt.

The MENA region owns about 46% of the world's natural gas reserves. Whether it is the major structures in the Arabian Iranian Basin or the reservoir formation off Qatar, the natural gas potential this region holds is limitless.

The conference was characterized by a series of very enriching sessions that tackled critical topics like Government Policies: Investment & Govt. stability, Gas Utilization and Regulatory Environment, Fiscal Regime, Gas supplies and gas grid development, Gas Market Development, Technical Aspects, CNG and Biomethane. Those sessions were given by punch of top corporations like EGAS, BP Gas Asia& Middle East, Emarat UAE, Crisil Risk& Infrastructure Solutions Limited, GASCO, GAIL (India) Limited, IGL, TAQA GAS, Egusco part of TAQA, CNG Services LTD.

The summit is an effort by Fleming Gulf to help disseminate knowledge about key positional assets; major players & effective buy options that could ultimately provide critical competitive advantages to serve markets in the future. It is an open platform where industry players will come together and plan to successfully navigate this growing market.

Egyptian gas to reach 600 thousand households annually

The Minister of Petroleum, Eng. Sameh Fahmy issued his directions to speed up the delivery of natural gas to households, adding that this year's plan includes 600 thousand households, after it already supplied gas to about 3.5 million houses in most of the governorates of Egypt.

Fahmy said that the move is an element in the Ministry strategy to expand the natural gas grid to reach more citizens, as a part of the ministry's plan to evacuate some of the provinces of LPG depots and reduce the quantities of imported LPG.

This came during a press conference held by the Minister of Petroleum to review the activities and operations of the petroleum sector during the past six months and discuss the targeted plans over the next six months.

From his side, Chief Executive of the Egyptian General Petroleum Corporation (EGPC), Abdel Alim Taha said that according to plans, Egypt's production of crude oil, condensates and natural gas will reach two million barrels per day during the year (2009/2010), pointing to the increased rates of domestic consumption of oil and gas products to 6% annually.

Taha praised the continued flow of national and foreign investments at a record pace -despite the financial crisis during the year (2008/2009)- about $8.9 billion, including $7.5 billion foreign investment in research and exploration, gas and petrochemical projects, in addition to $2 billion investment to drill 520 exploratory wells that support Egypt's oil reserves.

Moreover, this year will witness the drilling of new wells in Qena, Kom Ombo, Aswan, the area south west Egypt on the border with Sudan, and the completion of the development of several fields in the Mediterranean Sea, the Delta and the Western Sahara, assuring the speed of placing them on the production map.

New refining company to be established in Upper Egypt

Eng. Sherif Ismail, Chairman of Ganoub El Wadi Petroleum Holding Company (Ganope) revealed the establishment of a new investment company for oil refining in Upper Egypt, which is planned to commence with a unit to refine the discovered crude oil from the Kom Ombo's Baraka field.

Last month witnessed the discovery of Al Baraka-4, added Ismail. "The preliminary results of testing indicated higher production rates than in Baraka-1, 2, and 3."

Al Baraka reserves are estimated at 23 million barrels of oil, while the current production is 325 barrels per day (bpd) and being shipped to the Assiut refinery. The company plans to drill more productive fields in order to reach production rates of 2500 bpd.

Ismail praised the discoveries of Al Baraka field as a proven sign on the successful petroleum system in Southern Egypt, placing the area of Upper Egypt under the spotlights of the international companies operating in the area in research and exploration.

Aramco to build the 1st KSA private refinery

Saudi Aramco announced that it would take over the construction and subsequent operation of the first private refinery in the Kingdom of Saudi Arabia (KSA) instead of the Saudi Arabian Oil Industry, which cancelled its plans.

Ali Al-Naimi, Minister of Petroleum, expressed his appreciation for the eight companies and 42 contractors that applied for the project bid that made a serious attempt to compete for the license of the project, but now Aramco is going to implement the project itself.

The Jizan Refinery will have an average capacity of 250-400 thousand barrels per day after its completion. It will be located in the south area of the country near the border with Yemen. This is the first 100% privately owned refinery in the KSA.

"I hope there will be an answer soon on the winning bidder for the (Jizan) refinery. Our policy these days is to try to combine our refining and petrochemical business together. We expect an answer before year end, I hope," Al-Naimi said.

Qapco's Olefins complex on operation line

Qatar's Ras Laffan Olefins complex (RLOC) started the Ras Laffan cracker at the end of last month, said the General Manager of Qatar Petrochemical Company (Qapco), Dr Youssef Mohamed Al-Mulla.

RLOC will feed the sponsor's downstream projects derivative units by cracking ethane supplied from the Al Khaleej and Dolphin gas projects. RLOC will produce 1.3 million metric tons per annum (mtpa) of ethylene that will be transported to Mesaieed via a 120-kilometer pipeline to feed Q-Chem and Qapco projects in Messaid.

Also, it is expected that Qapco will use the ethylene to produce 450,000 t/y of LLDE

The project is one of the largest ethylene crackers in the world.

Chevron to downsize downstream operations

Chevron Corporation revealed its plan to eliminate some positions as part of a review of its global marketing and refining operations that will result in a new smaller business.

Employees of Chevron's downstream operations, which manufacture, transport and sell gasoline, diesel fuel and other refined products, have been notified on the decision, said Lloyd Avram, a spokesman for Chevron. "

The company said it has not yet identified the specific number of people that will be laid off but that the new organization will be in place by the third quarter.

The move comes as the downstream business has become much less profitable than it has been in recent years due to weak demand for fuel.

Last December, Chevron said it will stop supplying 1,100 independently owned filling stations in the eastern U.S. Last month, Chevron also said its 2010 capital budget will be $21.6 billion, 5% lower than its 2009 budget.

Chevron, which is based in San Ramon, Calif., is the second-largest U.S. oil company by market value after Exxon Mobil Corp. (XOM).

The entire energy industry has been dealing with the effects of slackening demand for fuel that is caused by the global economic downturn.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Fueling the industry with foreign investment

Over the last quarter of 2009, rumors spread in every corner in the country claiming that major foreign companies plan to decrease, if not discontinue, the volume of their investments and operations in the country due to the deteriorating status of the industry. Some said that foreign partners do not get their share from the EGPC and that negatively affected their financial standard. That is why we raised the question: what is the investment budget of foreign companies in 2010?

By Yomna Bassiouni

Despite the suspicious mood dominating the beginning of 2010 in terms of economic recovery, there is an optimistic vision for a better market condition in 2010. Many analysts believe that the shadow of last year crisis is getting to an end and that the already taken precautions enable more secured plans for the new year operations.

Chief Executive of the Egyptian General Petroleum Corporation (EGPC), Abdel Alim Taha praised the continued flow of national and foreign investments at a record pace -despite the financial crisis during the year (2008/2009)- about $8.9 billion, including $7.5 billion foreign investment in research and exploration, gas and petrochemical projects, in addition to $2 billion investment to drill 520 exploratory wells that support Egypt's oil reserves.

Taha said that according to plans, Egypt's production of crude oil, condensates and natural gas will reach two million barrels per day during the year (2009/2010), pointing to the increased rates of domestic consumption of oil and gas products to 6% annually.

Paving the road for investments and solving any pending problems with foreign companies, the Egyptian Minister of Petroleum Eng. Sameh Fahmy held a number of meetings with top management of several international companies to discuss their 2010 plans.

BP to invest $10 billion

British Petroleum (BP) Chief Executive Officer, Tony Hayward announced that BP on the verge of spending $10 billion on the gas and oil exploration in Egypt in the next upcoming years.

"The company will invest $10 billion in the Egyptian market in the coming few years." said Hayward.

These statements were made after BP chief executive met with the country's prime minister, Ahmed Nazif and the Minister of Petroleum.

BP and the Italian multinational oil and gas company Eni SpA offered the Egyptian government a second LNG train at Damietta with a capacity of around two billion cubic meters per year.

Eni SpA has stakes in the LNG processing unit already functional at Damietta, in association with Spain's Union Fenosa.

Apache boosts Western Desert investments

U.S. Apache Corp agreed to invest an additional $1 billion on gas and oil exploration, specifically in the Western Desert.

Over the past 15 years, Apache's investments in the country have reached $8 billion. The American corporation has an outstanding portfolio in Egypt and has reflected its interest in the Western Desert with three oil and gas discoveries achieved last April.

Apache is categorized as the largest producer of liquid hydrocarbons and natural gas in the Western Desert and the second largest in Egypt. The company's production totaled 26% of the region's production at the end of the 2009 third quarter, which was 450,247 barrels per day (bpd).

According to Apache analysis, during the third quarter 2009, the Egypt Region achieved new daily gross production records for gross oil and condensate at 174,600 barrels per day (Bpd) and gross gas at 807 million cubic feet of gas per day (MMcfd). Net production was 155,600 Boe per day, a 1.6 percent decrease from the second quarter, while gross production increased by 16,700 Boe per day or 6 percent, from 273,800 to 290,500 Boe per day. The region completed 134 of 146 wells and conducted 650 workovers and recompletions through the third quarter 2009.

On the edge for more BG operations

At the end of 2009 Q3, BG group announced that their total capital investment counted for £1 419 million comprised investments in Americas (£906 million), Europe and Central Asia (£251 million), Africa, Middle East and Asia (£207 million) and finally Australia (£55 million). LNG total operating profit for the quarter was £304 million.

BG Group's share of operating profit from liquefaction activities increased by 25% to £45 million principally due to higher profits at Egyptian LNG and the effects of the stronger US$/UK£ exchange rate. Although the company has not announced its 2010 plan yet, industry analysts expect more involvement and higher investment budget.

Last August, BG Egypt announced the delivery of first gas from the Sequoia subsea development located 90 kilometers offshore Egypt in the Mediterranean Sea.

Straddling both the West Delta Deep Marine and Rosetta concessions, the Sequoia unitized development brings into production six new subsea wells, three located in each of the concessions, which will help maintain overall plateau production.

Edison: an aggressive $400 million investment in 2010

Made a historic deal at a time when everybody was cutting down their investments, believed in the high potentials of Abu Qir Concession and trusted their expertise and abilities to achieve prosperous accomplishments, Edison promises more vigorous plans this year in Egypt as Mr. Maurizio Coratella, Edison Country Manager, told Egypt Oil & Gas

By Mohamed Fouad

Mr. Maurizio Coratella, Edison Country Manager

What is the volume of Edison investments in Egypt in 2010?

In 2010, we will have a very aggressive plan of investments, with approximately $400 million. The investments will be mainly dedicated to the Abu Qir concession, with our partner the Egyptian General Petroleum Corporation (EGPC). We recently had a general assembly with the EGPC, during which Edison presented its 2010-2011 plan for AQP (Abu Qir Petroleum Joint Venture) that would start in July, with the beginning of the fiscal year. These investments will be targeting some exploration goals in addition to some development activities that would help us increase our production with respect to our 2009 production rate.

Can you specify how would Edison allocate the $400-million budget exactly?

For development phase, among the various concessions, an average of $270-300 million will be directed for this phase, which is more than half the budget, Specifically for Abu Qir we will need to develop our assets: additional wells, some interventions in the offshore (three new platforms to be likely awarded) in addition to some other activities in the onshore facilities that need specific enhancements to cope with the expected increase of production.

Hence, major investment will be targeting capital expenses will be mainly directed to the Abu Qir Concession.

The remaining budget will be allocated for exploration activities. We are currently in the exploration phase in two other concessions: the Western Desert (West Wadi El Rayan) and the Western Mediterranean Area (Sidi Abdel Rahman)

Are you expecting new discoveries for Edison this year?

We hope so! After a year from the acquisition and further geological/geophysical analysis of the Abu Qir concession we,ve a better understanding of the overall potentials and we,re confident that our exploration activities will lead us to significant discoveries. In the other concessions, we have ongoing operations, with good overall results. The successful outcome of all of our exploration activities will be positive both for the Company and for the Country.

How do you compare your 2010 investment plan to last year?

Given the current situation of the market and the status of other contractors, I believe that this year we have a very aggressive and vigorous investment plan. To compare this year with the 2009 it is a „little‰ misleading. In 2009 we have finalized the acquisition of the Abu Qir Concession with an extraordinary effort of above $1.4 billion

What did the historic deal between Edison-Ministry of Petroleum for Abu Qir add to your company?

Actually, this deal has brought us back in forces to Egypt, as we were here from the1990s and known by our active operations in the upstream sector. So, the Abu Qir deal reflected our strong commitment to the country and the long-term targets we have.

Was not it a challenge for Edison to have such a huge $1.4-billion investment commitment in the middle of the economic crisis?

As a matter of fact, the negotiations and preparations for this historic deal were conducted some time before the year of 2009. The overall prospect of the market was completely different when we first showed our interest in the Abu Qir Concession. The high potentials we saw in this concession pushed us to speed up the acquisition process and to allocate the needed investment for it. We,re the second largest energy Company in Italy with strong ambitions to grow abroad, mainly in the Mediterranean area and the Balkans. Abu Qir deal is part of our commitment to ensure more independence in the hydrocarbons supply; so, it,s a long-term investment which goes beyond the temporary periods of economic downturn.

Have the EGPC payment delays affected your company?

Of course, most of contractors are impacted by

European companies come first

The Egyptian petroleum industry has always been one of the favorable environments for foreign investments, which are not just good sources for economic revenues, but a way to be locally updated with the latest international operational techniques and expertise

By Tamer Abdel Aziz

In Egypt, foreign companies have the upper hand in the industry, whether through the E&P companies or the service companies. The reason behind the increasing number of foreign firms in the country compared to local ones lies in various factors, among which their financial backbone able to face any market or operations challenges and their technological advancement used in their E&P operations. Moreover, the Egyptian Ministries of Petroleum and Investment are continuously adopting vigorous campaigns to lure foreign investments to the country.

According to the Ministry of Petroleum website, the European companies top the list of foreign companies operating in Egypt as 27 European firms are currently holding operations in various areas. Out of which, there are nine British E&P companies, led by British Petroleum (BP) and British Gas (BG), three Greek companies, in addition to Italian (Agip and Edison), Swiss and Austrian companies, each with two firms. The remaining nine European companies are presented by Germany, Russia, Ukraine, Croatia, Ireland, Norway, Spain and France.

In the second place come the American corporations, with a total of 12 companies currently operating in Egypt, led by Apache, which recently announced the increase of its investments by $1 billion.

As for the third place, there are 27 other companies from Asia, Canada and South America.

these delays and this could lead contractors to revisit their commitments in the country. In the case of Edison, we are continuously and closely monitoring our level of exposure. However, since we want to develop our assets to make an efficient use of the reserves, of course we need to be paid to carry on with our investment plan.

What is your daily production rate?

From Abu Qir, the daily production rate averages 150 million standard cubic feet of gas.

What is your expected 2010 production rate?

We expect to exceed the 200 million cubic feet in 2010.

What is the timeline of your development phase?

Our program for the fiscal year of 2010-2011 is targeting the 200 million cubic feet production level, so throughout this fiscal year, we will be implementing the plan I mentioned earlier

We will have also exploration activities in the Abu Qir Concession, and we foresee exploration activities in both is the so called shallow horizon and the deep horizon which is targeting hydrocarbons at rather critical depths.

Do you have any expansion plans in Egypt?

With this level of investment, Egypt has become a very strategic country for us. We have other concessions which are in the exploration phase so far. Results have shown high potentials for production increases. In the Western Desert we have a concession mainly targeting oil; it,s a small reservoir but we already succeeded to put it on the development phase with a daily production of nearly 1000 barrels a day.

Do you consider the Western Desert a future potential for oil production?

I think that Western Desert is an absolutely promising area as we have the example of Apache, which has been very successful.

Edison is preparing for drilling another exploratory well in next May.

What were the major accomplishments of Edison in 2009 in Egypt?

Definitely, the acquisition of Abu Qir Concession was our major achievement last year. Moreover, we succeeded in the challenge following the acquisition, which is to run an entire organization to implement our plans for this project and conduct our operations.

How would you position yourself between other operators in Egypt?

Major international companies have been operating in Egypt for 40-50 years, so their position is much more consolidated compared to Edison,s one. Yet, we are strengthening our stand in the country through targeted investments and by bringing our experience and skills. We have a strong belief that we can close that gap. We are gaining a very good knowledge of the country and we are committed to consolidate our long term relationship with the EGPC and EGAS.

El-Sharkawi: at least 20% production increase in 2010

Dana Gas, known by being one of the most active companies in Egypt, celebrated the new year of 2010 with the successful achievement of its 2009 production target in excess of 40 thousand boepd

By Yomna Bassiouni

Dr. Hany El-Sharkawi, President of Dana Gas Egypt

Throughout 2009, Dana Gas Egypt delivered an average production rate of 34,750 barrels of oil equivalent per day (boepd), which The continuous series of outstanding records hit by Dana Gas have placed the company as the sixth highest natural gas producer in Egypt. Ahmed Al Arbeed, Dana Gas CEO, said, "We are very pleased with the continuing success of our Egypt drilling campaign, which started in 2008. This campaign has already yielded very positive results for us and we will continue with our exploration campaign, we will develop our discoveries, all aimed at growing Dana Gas production operations in Egypt".

Dr. Hany El-Sharkawi, President of Dana Gas Egypt, believes that this year will be "a busy year" for the company. "We have had a number of significant discoveries in Egypt in 2008 and 2009. It is clear that 2010 will also be a very busy year for us, as we develop all these discoveries and continue with our exploration-drilling program in the Nile Delta and Upper Egypt. We look forward with confidence, building on the success to date," he told Egypt Oil & Gas Newspaper (EOG).

EOG: What were Dana Gas major discoveries and achievements during 2009?

HE: Last year witnessed a total of nine discoveries; eight of which are gas and one oil discovery. The gas discoveries in the country announced throughout 2009 are Salma-1, West Manzala-2, Azhar-1, Tulip-1, Sharabas-1, Sama-1, Faraskur-1 and Marzouk-2. While, the ninth oil discovery is from the Orchid-1 well. This series of achievements led to a 20% production increase compared to 2008.

Moreover, Dana Gas succeeded to keep its safety records significantly below industry average.

EOG: What were the results of your latest 2009 discovery the Orchid-1?

HE: The Orchid-1 well was drilled in the West Manzala concession of the Nile Delta, 1.3 kilometres to the west of the Azhar1 well, and encountered 8.4 meters of net pay of excellent sand reservoir of Kafr El Sheikh formation, and tested dry gas at a rate of 12.6 million standard cubic feet of gas per day. Dana Gas is currently studying the options for producing Orchid-1 discovery through either its El Wastani or South El Manzala gas plants. The preliminary estimated recoverable reserves of the Orchid discovery range between 10-50 billion cubic feet (bcf) of dry gas, pending further appraisal.

EOG: What is your production target for 2010?

HE: We are seeking another production increase of at least 20% by the end of 2010.

EOG: How much investment are you planning to spend this year?

HE: Our investment budget this year will be higher than 2009 and 2008.

EOG: In a press conference headed by Eng. Sameh Fahmy, Ministry of Petroleum, it was said that Dana Gas is to construct a refinery unit near El-Baraka Field. Can you give us more information?

HE: A third party has presented a proposal to construct a small oil refinery near Al Baraka field and it is estimated that it will be completed by the end of 2010.

EOG: What is Dana Gas E&P agenda for 2010?

HE: We will continue our exploration-drilling program and develop the gas reserves discovered in 2009 to bring on stream by year-end.

EOG: Have your revenues been affected by the global economic crisis?

HE: Definitely, we were affected to some extent, but not significantly due to the liquid component that represents a small portion of our production.

Dana Gas Egypt inaugurated the series of 2010 discoveries by oil hit in Komombo Concession, where oil flew naturally to surface for the first time in this concession. The Al Baraka-4 well, drilled as an appraisal of the Al Baraka Field in southern Egypt, discovered a new pool in the Six Hills "E" reservoir. The well is currently on-stream producing at a rate more than five times the sustained flow rate from any previous well in the field. It encountered 16 meters of net oil pay in the previously defined reservoirs in addition to eight meters in the new Six Hills "E" layer. The new reservoir is proving to be more productive than the currently producing zones, having tested oil with natural flow to surface at a rate of 220 bopd. It is the first well on the Concession to flow oil to the surface through the natural energy of the reservoir, without requiring artificial lift. The volume of reserves discovered is under evaluation.

"Al Baraka-4 expands a new era of petroleum exploration in Southern Egypt. The fact that oil has flowed naturally to surface from a new layer with better reservoir quality demonstrates that the Komombo basin is more prolific than originally thought," commented El-Sharkawi on the discovery.

Al-Howqal: Regardless delay of martial permits, Western Desert is full of potentials for investors

Since the initiation of its activities in Egypt, Kuwait Energy Company (KEC) has been strengthening its steps in the industry. However, its ambitious plans to further expand are hindered by some obstacles that slow down its investment wheel. Mohammed Al-Howqal, Kuwait Energy Chief Operation Officer, sheds light on these obstacles and reveals the company's 2010 plan in Egypt

By Ahmed Morsy

Operating in Egypt since 2006, how have the operations of KEC expanded in Egypt?

We started our operations in 2006 by acquiring 30% interest shares in Burg El Arab field from Krete Company, then increased it to 50%. Afterwards, Krete abandoned from Burg El Arab and they remained with Ghareb Company, an Egyptian service company, which was also their partner in that field.

In the meantime, Kuwait Energy signed a Sale & Purchase Agreement with Ghareb to acquire an additional 25% Working Interest in the Burg El Arab field. The purchase transaction also included the transfer of operatorship of the field to Kuwait Energy. After the completion of this transaction, KEC will have a total 75% Working Interest in the field.

KEC also completed the acquisition of an additional 12% working interest in Abu Sennan block and currently has a 72% working interest in the field. However, the company's path in this area is still blocked; being subject to some military approvals, which they did not get so far despite the facilities and the positive response of the Egyptian Petroleum officials. The company planned to drill approximately 10 wells after obtaining the Military approvals.

Do you think that such a delay limits the flow of investments into the country?

Being one of the investors, we need to guarantee our rights. Although we have got the approvals of the Egyptian Ministry of Petroleum and the People's Assembly in addition to the consent of the Egyptian cabinet, we are still waiting the martial authorization. Nevertheless, we are attuned to the issue of national security.

What do you think of the government's intention to cancel the subsidy policy by 2014?

I totally agree with this decision, but some conditions should be put into consideration. It should be done, but nonetheless, there should be an increase in oil production, salaries, vacant posts and a development in the transportations which are all necessary aspects if your are planning to cancel the subsidy policy.

What about Area A that you acquired from Oil Search?

We have had a service contract with the General Petroleum Company (GPC), which was a brown field and it was the result of our deal with Oil Search. Consequently, we obtained all Oil Search's field in Egypt and Yemen. Area "A" is one of these onshore fields located in the Gulf of Suez. When we first got this field in 2008, its production volume was 2.900 BOEPD and now it has more than doubled and reached 7.000 BOEPD. It is a promising area and we exerted a lot of work in it side by side with the GPC. However, we need to enhance the conditions of the contract with GPC to be of value for us in order to invest more in it as we are approaching more difficult areas that need more high technology as well as more capital and also because of the existence of natural gas. Currently, we are negotiating with the Egyptian General Petroleum Corporation (EGPC) and GPC to handle it.

What are KEC other fields in Egypt?

We have also the East Ras Qattara, in which the operator is Enap Sipetrol, a state-owned Chile Company. They are doing a very good job and exceeded our expectations.

This field was also obtained from Oil Search and its oil production was 900 BOEPD, but now we reached 5.700 BOEPD. Yet, our main obstacles there are the crew transportation capacity and storage space. Thus we are negotiating with Apache to get more facilities in this area, since they hold and control a large board of facilities in the Western Desert.

Our goal is to boost our production from the East Ras Qattara to 8000 BOEPD, as this field is promising and capable of gifting more.

How promising is the Western Desert?

The Western Desert is greatly fruitful. However, it needs more development, facilities and also requires more simplified laws. It is not familiar in any country to wait for a military permit to move a rig but in Egypt.

I believe that the Jurassic layer is the future of the Western Desert. As a matter of fact, all companies are now focusing on this layer. We ordered a rig to be moved there targeting this deep formation layer. IPR is operating there and produces 5000 BOEPD, but there is a huge amount of gas waiting for investors.

What is the production volume of KEC in Egypt?

KEC share of production in Egypt counts for more than 7000 BOEPD. We have interest shares in five concessions; Area "A", East Ras Qattara, Mesaha, Burg El Arab and Abu Sennan. They are all oil fields except Area "A", which has began to bring out a large amount of gas. Hence, we are about to perform a development plan as our contract in this field is only for oil and we need to exploit this gas by making a new contract.

In the shadow of the economic crisis, was KEC able to achieve its 2009 plan?

We achieved our plans in 2009 despite the global financial calamity. During the crisis, we did not halt any of our projects and we brought more investors to invest in Kuwait Energy. In addition, we were able to get a loan of the International Finance Corporation (IFC) in last September to carry on our operations. Besides, we did not lay off any of KEC workers as many other companies did and are still doing.

We expected the crisis early and planned for it right. We only rationalized our cost but not at the expense of our workers.

Regarding the $50 million IFC's loan, what are the strategies of exploiting the loan in Egypt?

The loan was for our projects in Egypt and Yemen only and there was no ratio to divide it between the two countries, but it depended on the work, potential, development targets. It aimed mainly at developing the proven reserves.

Of course, there will be other loans in the future as long as we plan to widen our investments. We are keen on operating in more new concessions and aware if there are companies need to pull out so as to replace them like the case of Oil Search acquisition.

Despite being one of the very few local privately-owned oil and gas E&P companies in the MENA region, some news stated that the company is going public by next year, is that true?

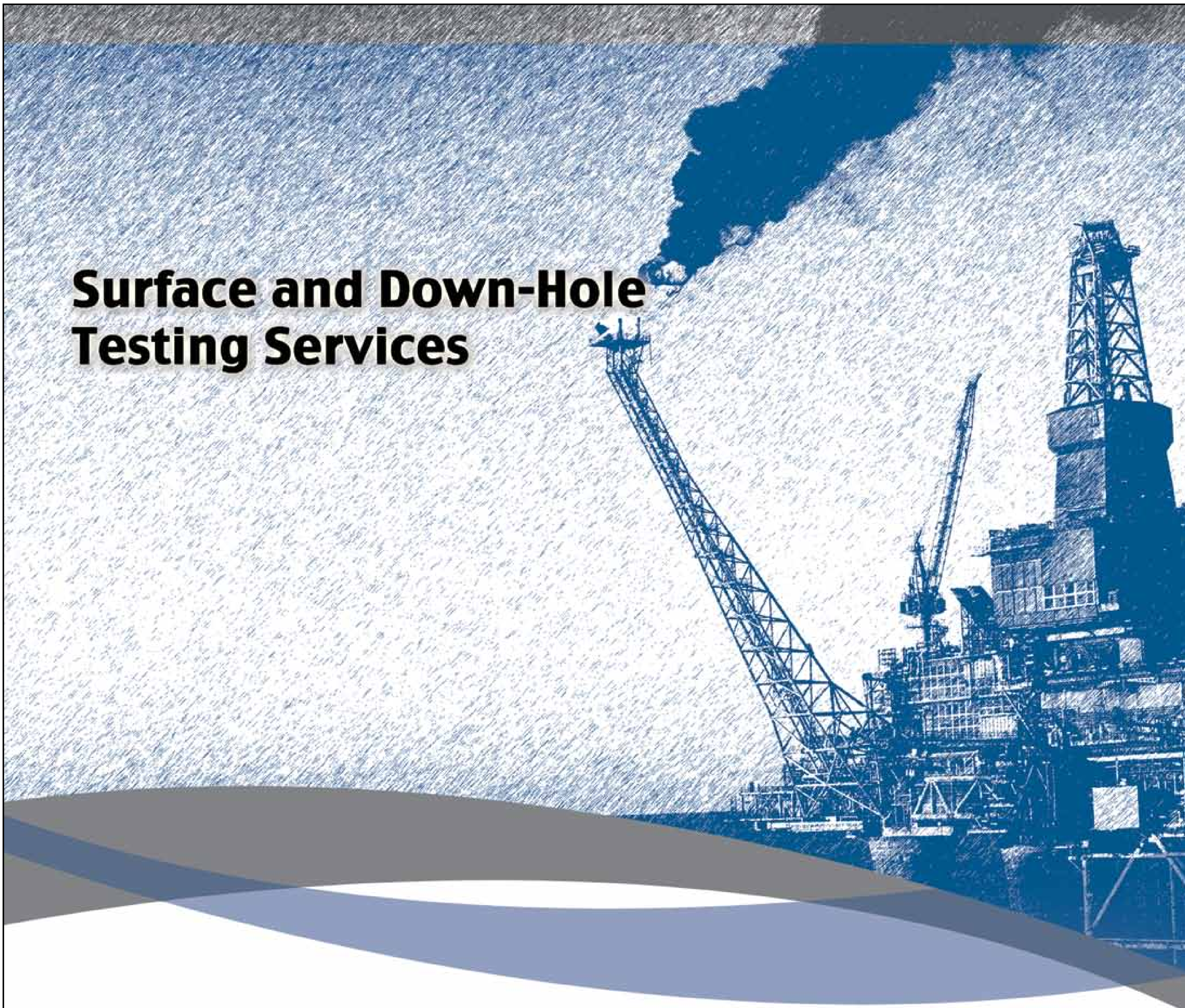
No, it is not right. We have KUFPEC in Kuwait which is a state-owned company and it is also operating in Egypt. It might be revitalized and if so, we will acquire its share due to its successful projects and investments in the areas of Middle East, Africa, South East Asia, Far East and Australia. But we will not be public.

Kuwait Energy's capital is 130 million Kuwaiti dinars, which is equal to 1.300 billion shares, and we are targeting to attract more investors within the company to increase the capital and shares of the company. The current capital is worth almost 1 billion dinars.

What about the company's commitment of setting new standards for environmental and social management in the region?

The environmental and social management is very important to us. It is important for the company to employ young generations to give them the experience, as they will be the future generation to manage and operate the operations wheel. Their loyalty will be for the company, because you gave them the opportunity from the beginning.

We are a Middle Eastern company, but our strategy is to stick to the international standards. And that reflects how we will be in London Stock Market in the first quarter of 2010.


Surface and Down-Hole
Testing Services

Qarun Petroleum Company (QPC) is back on track and is ramping up activity as oil prices recover from the economic crisis, said the company's General Manager/ Managing Director John L. Hendrix, highlighting that Qarun is targeting the production above 2009 levels during 2010

By Christine Nabil
Ahmed Morsy

Qarun's third train ready to commence the route of production boost!

Operating since 1995, how do you evaluate the developments of QPC in the Egyptian petroleum industry?

Over the last three years, we won two petroleum shields, which reflect our reputation as one of the best production companies in the country. QPC maintained its production rate at 30,000 barrels of oil per day (bpd) until October 2008. Then, the production volume broke over 40,000 bpd and reached the 50,000 bpd during last year. With the beginning of 2010, we aim at further increasing the production to become over 2009 levels. We look for opportunities, develop them efficiently, and minimizing any bottlenecks.

In 1998, during the early production of Qarun the record stood at 44,000 bpd. Currently, we have over 280 wells; some are performing better than others and it is our responsibility to reach the efficient utilization of those wells and conduct operations utilizing the best techniques. We must also understand the importance of "integrity management" to understand and avoid any failure possibilities and react proactively to ensure the success of our operations.

How many concessions are you operating now? How promising are they?

We have eight concessions and they are all showing a lot of promise. Included in this the East Ras Badran on the Sinai.

What were QPC major achievements in 2009?

The high points were oil production breaking over 50,000 barrels a day, and water injection surpassing 90,000 barrels a day. This was really an achievement considering that we had just two drilling rigs in operation through most of the year. We installed two temporary processing units to help us handle production. Our seismic program East and West of the Nile and in the Qarun concession was done seamlessly.

How far did the current economic crisis affect this company's production and investments in 2009?

As I mentioned earlier, when world oil prices dropped in late 2008 and early 2009, the company continued its policy of maintaining its capital spending within its internally generated cash flow. As a result the company curtailed our capital spending program by almost 50% affecting all regions. In Qarun we downsized the number of our rigs from seven to two. We continued to invest in projects like Karama Power, Pipelines, Waterflood, and a third processing train that will help us improve production efficiencies and operating costs.

What were QPC precautions to avoid the crisis effects?

We decided to reduce the number of wells drilled, prioritizing the best wells first focusing on getting the basics right in operations and cost control.

In your opinion, will the petroleum industry recover and revive once again during 2010?

We are cautiously optimistic that the industry appears to be regaining some stability once again. Qarun has always been a very aggressive player in drilling wells and stable prices make us eager to seize more opportunities. Like the Karama Power Project we are initiating that will be of a great value to our company, and the country. This $50-million project includes the installation of six gas fired turbines to generate power for field operations. The project will lower costs and emissions by reducing diesel consumption.

> **"The high points were oil production breaking over 50,000 barrels a day, and water injection surpassing 90,000 barrels a day"**

Are you planning to increase your investments in 2010?

We are still formalizing our budget for 2010, but we are optimistic that increasing prices will lead to increased spending. We went from seven rigs down to two in 2009 and currently we seek to build back to five.

Is it true there is a delay paying the shares of foreign partners by the Egyptian Ministry of Petroleum?

I believe that the most important thing is that Qarun has enough money to make its payments and that it receives its money from its partners to continue its projects. None of our projects has been delayed because of delays of payments.

What are the main obstacles hindering the foreign investments in the Egyptian Petroleum sector in your opinion?

Awarding contracts should be based on two factors: quality of service and price. Companies who can deliver more production and reserves should be favored.

Is the company considering any kind of expansion in the field of natural gas in Egypt?

We are currently an oil producing company. However, we are always searching for gas to power our operations and hopefully sell it. We buy gas from the Egyptian General Petroleum Coporation (EGPC) and other sister companies. We need gas for our Karama Project rather than diesel to provide cost savings and reduce emissions.

Are there any news about QPC in 2010?

Our new chairman, Mohamed Mounes Shahat, and I are studying the New Year plans – how to build a company that will work smoothly, take the bureaucracy out of the business, and note that we are a joint venture, not a government company. The QPC team has always believed that QPC can be a more profitable company and more beneficial to the country of Egypt if we are able to maximize production in the most efficient manner.

What are your expectations for 2010?

Right now, we hope to get up to five rigs in operation. If oil prices remain strong and services costs become competitive, we may ramp up our activity level. In 2008, service costs increased to levels that were not sustainable.

Do you have any other exclusive news to Egypt Oil & Gas readers?

We are going to finish the third processing train, which will increase our production capacity from 52,000 to 75,000 bpd, reduce costs and permit QPC to continue to bring new wells on production. We hope that Karama Power Plant will be coming on in February which will lower our operating costs, improve our efficiencies and free diesel up for other users. Also we are going from two drilling rigs to five rigs.

All lies in the infrastructure! Part II

Continuing the series of Egypt's infrastructure, this part tackles the processing plants and facilities distributed in various corners in the country, their capacity and the future plans

By Yomna Bassiouni

In order to efficiently develop the country's new gas discoveries, the natural gas has to go through processing plants for two main objectives. The first is to purify the discovered gas from impurities and remove any contaminants, such as CO2, H2S, water vapour and heavier gas liquids that could compromise the integrity of the gas transmission pipelines. Secondly, the technologies utilized in the gas processing facilities are characterized by the ability to extract hydrocarbon liquids that are contained in the produced natural gas stream, such as propane, butane and heavier components as well as ethane gas. Thus, the second objective of gas processing facility is to recover the natural gas liquids.

Both objectives lead us to another step, which is the transmission and distribution of natural gas via pipelines to buyers. In order to meet the demands of the end user, gas goes through the conditioning and treatment phases, which are necessary for the so called "sales gas specification".

Focusing on the Egyptian gas processing facilities, there are approximately 23 plants in operation, processing over 6000 MMSCFD that is nearly the same volume of natural gas that the country is presently producing. The Egyptian Natural Gas Holding Company (GASCO) is the operator of most of the gas processing plants, which collectively extract 111000 barrels per day of condensate and 2905 tons per day of LPG.

Egypt's gas processing facilities include: Obayed, Tarek, Salam, Abu Qir, Rosetta, Ha'py, Port Fouad/Darfeel/Temsah, Abu Madi & North Abu Madi, Ameriya, Bed 2-3, Abu Gharadiq, Abu Sinan, Dahshour, Trans Guld, Ras Shukheir, Zeit Bay, Abu Rodeis, Western Desert, El-Manzala, West Delta Marine, Wastany and UGDC. The total capacity of these plants is 7238 MMSCFD.

Due to the growing demand of end-users and the increasing number of gas discoveries need to be put on development and production lines, more gas processing facilities to be built in Egypt. Currently, constructions are held for new plans with the aim of processing additional gas in order to be produced over the coming years. One of these plants is located in the Mediterranean, with a processing capacity of 900 MMSCFD. Moreover, a one-train plant will be constructed in the area of the Gulf of Suez, with a processing capacity of 150 MMSCFD.

The reason behind constructing such a huge plant in the Mediterranean lies in the latest study conducted by BP and EGAS in coordination with ECHEM declaring that this area includes additional rich gas, from which extraction of significant volumes of ethane, propane and butane is likely to occur.

The Mediterranean is not the sole area grapping the attraction. The Western Desert is considered as one of the promising and rich areas in the country. In the shadow of the wave of discoveries attained in this area, GASCO is executing a project that would expand the Western Desert Gas Complex to be integrated with Ameriya gas treating and LPG recovery plant, with an additional gas liquids production.

Such strategies of expanding the base of gas processing plants are means to ensure the operational integrity of the national natural gas grid. Over the next 5-10 years, Egypt's gas production will stabilize at the average of 12 thousand MMSCFD. That is why more plants are crucially needed in order to increase the volume of gas processing capacity. However, the number of plants that needs to be installed depends on two main factors: quality of discovered gas and the specifications of consumers. In other words, if the gas discovered is rich in natural gas liquids, sophisticated NGL recovery schemes should be considered. While, on the other hand, if gas includes lower calorific content, the incremental processing capacity would likely contemplate only gas treating facilities to achieve pipeline specifications. Therefore, both conditions should be considered while planning for or constructing new processing facilities.

To be continued…

In Review

2010 brings optimism to the Jackups Market

After drilling contractors posted record levels of earnings in the period from 2004 to 2008, the year 2009 marked the beginning of an earnings descent likely to continue over next year or two. When exploration and development spending was curtailed in 2009, rig utilization was quick to follow and leading edge rig day rates deflated. For the drilling market, 2009 was in many respects a transition period as market participants adjusted to a new reality defined by lower commodity prices, rig demand, day rates and utilization. In the second half of 2009, some positive developments have emerged in most rig markets as crude oil prices have recovered materially off their lows, and the broader economy appears to have stabilized.

The following table illustrates the global jackup market facts.

With oil prices recently stabilizing to an average of $70-$80 and some exploration and production spending budgets likely to rise from 2009 levels this year, many offshore rig markets around the globe appear to either experience stabilization or stage some sort of recovery in 2010.

	2009	2008
Average jackups deployed under contract	335	375
Average global jackup utilization	75%	88%
New jackup contracts signed for competitive fleet	180	430
Newbuild jackup deliveries	24	28
Newbuild jackup construction orders	11	19
Jackup removed from services	5	4
Jackup sold	6	10
Average crude oil price	$ 61	$100
N.G. Price during the year	$2.5 - $6	$5.3 - $13.6
Average N.G. price	$4	$ 8.9

Jackup Market 2009 Review

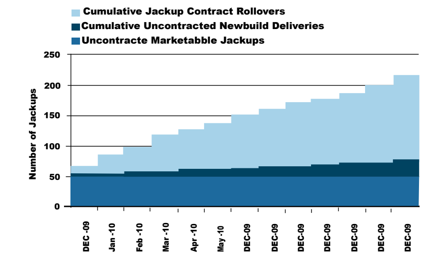
The market stabilization, which has come sooner than many industry observers expected, was due to the fact that crude oil prices have more than doubled since last March March. Although day rates were low compared to 2008, some rigs have gone back to work and new contracts or extensions were secured for others as contracts expire. The worldwide jackup rig count began to plummet about five months after the price of crude oil began its sharp descent. Nearly seven months after the fall of crude oil prices, the jackup rig count began to stabilize, that means that the count was to certain extent stable in the second half of 2009, ranging from 315-325. The contracted jackup count remained below the peak of just over 380 units in August 2008. In response to the absence of jackup demand earlier 2009, drilling contractors aggressively cold-stacked jackups, specifically in the Gulf Of Mexico.

Jackup Market in 2010

The new year of 2010 began with an average oil prices of $80- $85 and a likely rise of some exploration and production spending budgets. Compared to last year, the jackup market has much changed; global jackup utilization hovers around 76%, below levels in early 2009 (81%) and early 2008 (85%).

Outside of the U.S. Gulf Of Mexico, there are around 52 marketable units currently waiting for contractors, including ready stacked units and units enrooted or in the shipyard for short term work. A further 26 competitive, newbuild jackups are scheduled for delivery through the end of 2010. In addition, close to 140 jackup contracts are set to expire during 2010. The graph below starts with the number of uncontracted marketable units today and accumulates newbuild deliveries and jackup contract rollovers for the international fleet over 2010. The graph does not include U.S.GOM due to spot nature of the market minimal new builds targeting the region.

2010 INTERNATIONAL JACUP AVAILABILITY



The regions facing the biggest supply challenges include Southeast Asia and the Middle East. Together, two regions alone account for over 60% of the international jackup contract rollovers through 2010 and are also likely target areas for many of the uncontracted newbuilds delivering this year.

Currently, the average age of uncontracted ready-stacked jackups and cold-stacked jackups are 24-29 years old respectively, compared to 22 years old for contracted jackups. Furthermore, utilization for jackups delivered in 2008 and 2009 stood at 75%, with more deliveries on the way over 2010 and 2011, it is expected that market share for high spec jackups delivered within the last 5-10 years will continue to grow. But, age is not everything when it comes to a rig's desirability.

JACKUP CONTRACTOR AGE AND SPEC PROFILES

			Jackups Delivered Within 10 years		Number Of High SpecJAckups in Fleet (limited to 350`+)	
	Number of Jackups In Existing Fleet	Average Jackup Age(yrs-)	Number of Jackups	of % fleet	Number of Jackups	of % fleet
Transocean	65	27	3	5%	17	26%
Noble Drilling	43	27	3	7%	8	19%
ENSCD	42	24	7	17%	13	31%
Hercules Offshore	30	30	0	0%	1	3%
ENSCD	22	19	8	36%	15	68%
Seahawk Drilling	20	30	3	0%	0	0%
Nabors	16	30	0	0%	0	0%
Aban	15	12	9	60%	9	60%
Diamond Offshore	14	27	2	14%	3	21%
Maersk Drilling	12	9	8	67%	12	100%
Seadrill	7	11	4	57%	5	71%
Scorpion	6	1	6	100%	6	100%
Vantage Energy Services	3	Less than 1	3	100%	3	100%

Analysis excludes Jackups under construction

Maersk Drilling

Newbuilds

According to RigLogix, 58 newbuild jackups worldwide are scheduled to be delivered over 2010 and 2011. However, delays and cancellations for some of these units are likely given the speculative nature of some of the rigs on order and financing for some of the more marginal contractors behind some of the orders. Rowan is no stranger to newbuild rig cancellations. Though its fleet is due to grow by five jackups, earlier in 2009, the company put two of those newbuilds on hold.

By Mostafa Mabrouk, Vice Chairman Assistant for Economic Affairs, Ganope

Weighing the two sides!

Some would see it as a good move, "It would be a good idea to import the gas cheaply from Iraq and lock in at that price for the future, if Egypt has the view that gas prices will go up on the long term.", others may oppose it, "Has the minister finally awakened to the tragedy of Egypt's wasted petroleum resources.

By Sama Ezz El-Din

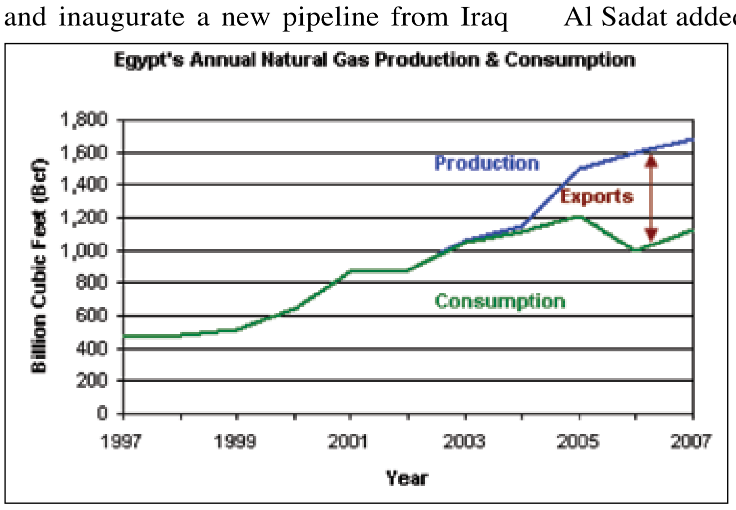
It started with the announcement made by the Egyptian Minister of Petroleum, Eng. Sameh Fahmy, to the Energy Committee of the Ruling National Democratic Party (NDP) saying that the idea of importing gas from Iraq now would take advantage of the current global price drop. The timing couldn't be anymore closer to the Iraqi Petroleum Minister Hussein el-Shahrastani statements, who recently announced that the European Union was also interested in importing natural gas from Iraq via the Arab Gas Pipeline, that extends through Syria and Jordan into Egypt, where gas can be liquefied before being re-exported to European markets.

Egypt has recently boasted the world's biggest gas liquefaction facility, located in the coastal city of Damietta, which a source close to the Energy Committee reported that the minister saw the potential of using it for re-exporting Iraqi gas. The facility, which costs a total of $1.3 billion, can convert 7.5 billion cubic meters of natural gas into 4.8 million tons of liquid gas per year.

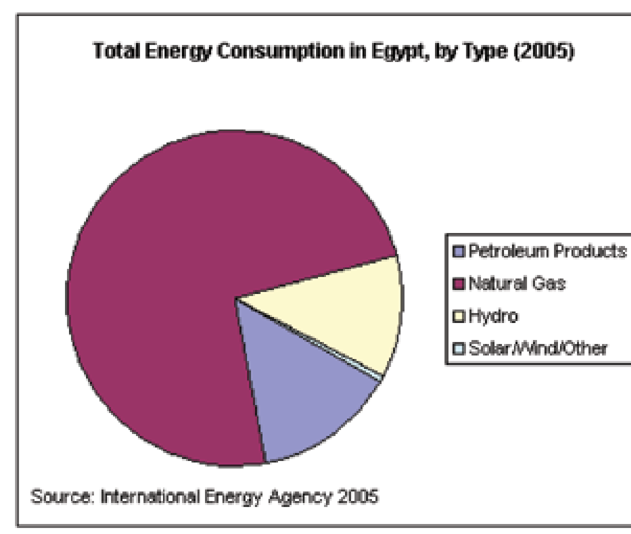
The reports that made this huge fuzz in the newspapers were denied by Samy Shahin, Member of the NDP Energy Committee, who explained that these allegations "took a wrong turn", and that it is all still under consideration. He stated that Egypt will not be importing gas, and that Europe is aiming to buy the Iraqi gas and transfer it through the Arab Gas Line, which means they would reverse the flow of gas and inaugurate a new pipeline from Iraq passing through Egypt reaching Europe.

Shahin further added that Egypt's split would be either to take a share of that gas passing through its land or to inspect tariff. All the Indications point to the first suggestion, specially that the Petroleum Minister lately issued his directions to speed up the delivery of natural gas to households, adding that this year's plan includes the delivery of gas to 600 thousand houses, which means that Egypt is in a great need for gas and looking for each and every way to get it, but still without being called an importer! In a way, it is good for Egypt's reputation to look for other ways to get the needed gas, but we have to put in mind that we are going to be taking gas from others, even if it fell under the concept of fees!

These needs came after a long road of wrong polices, according to what Anwar Esmat Al Sadat, the Deputy Founder of The Reform and Development Party (RDP), said that this issue was addressed at the Plan and Budget Commission meeting raising the topic of importing Iraqi Gas or liquefied natural gas (LNG) from Qatar. Al Sadat criticized lots of what went through this meeting, especially what private companies in the local market suggested of building factories to liquefy this imported Iraqi Gas on the same footsteps of Iran and Turkey, and he strongly criticized the continual fueled subject around the old contracts, which made the Egyptian Gas sold at low prices.



Al Sadat added that it is all false allegations about the overflow of the gas in the market that allows it to be exported and that Egypt is not even close to become a bigger exporter than Iran and Qatar. Both First Undersecretary for Gas Affairs at the Ministry of Petroleum Eng. Tarek El-Hadidi and the Undersecretary for Investments Eng. Ahmed Ashmawy denied Al Sadat accusations, and assured that Egypt has enough gas according to the ministry's statistics. Al Sadat also stated that the problem is in the incorrect wideness in exporting gas, which led to its shortage in the local market and to the importation suggestion.



Eng. Ibrahim Al Esawy, former first undersecretary for gas affairs, defended the importing proposal, adding that the time is perfect to benefit from the Iraqi Gas excess and the current lowered gas prices, which reached as low as $1.83, as the petroleum minister stated in the annual conference of reviewing the ministry's accomplishments and plans for the upcoming six months.

The conference that started the whole conflict, in which the petroleum minister stressed on the importance of taking advantage of the recent low gas prices in the markets, and that the ministry had offers from Arabian companies in the local market to buy the foreigner's share and to build plants to liquefy the Iraqi Gas to use it in their projects and supply the local market, which as the minister pointed "is the main concern of the ministry" and the reason behind considering the whole idea of approving on the reverse overflow of Iraqi Gas.

> **"Eng. Ibrahim Al Esawy, former first undersecretary for gas affairs, defended the importing proposal, adding that the time is perfect to benefit from the Iraqi Gas excess and the current gas prices"**

Fahmy's comments were met with criticism from groups long opposed the export of Egyptian gas at low prices. These groups have argued that exporting the gas equaled a shortfall in covering the demand of the local market. The Minister's statements will only confirm their view; though the ministry of petroleum previously tackled this matter by announcing there will not be any Egyptian gas exportation until they cover the local demand. The campaign criticized Fahmy for not listening to the voices of experts who had previously stated that the rate of exporting Egyptian gas would lead to a situation where internal demand would not be met. This campaign responded to Fahmy's statements in an announcement released to the press, "The petroleum ministry exports gas at very low prices, when it should have been used domestically to create electricity, instead of importing petroleum products at very high prices… Egypt is no longer an exporter of oil and gas as you claim and the exportation of our gas was a catastrophic decision."

All we need to do is to sit and wait; the upcoming days will clear all these rumors. We just hope that Egypt would be making the right decision, as this new use for the Arab Gas line could place Egypt on the international map; especially that Europe is looking for each and every way to secure its supply of Gas away from the Russian continued quarrels with its neighbors exposing Europe to suffer from gas cuts in the winter, and that could make the extension of the Arab Gas line take Egypt to a new international era.

Driving Management in Schlumberger

Deep commitment to Quality, Health, Safety and Environment and taking driving management to next level

The Schlumberger Program for Crash-Free Driving

Schlumberger driving policy states that driving is the activity that presents the greatest potential risk for accidents in Schlumberger. To minimize this risk and ensure that worldwide standards for driving qualification and practices are followed, this driving policy applies to all Schlumberger organizations. This policy also provides the foundation for building a driver improvement program.

Aiming for a global driving program with superior results

Driving is ranked by the World Health Organization as the 10th highest cause of death worldwide. With increased motorization and assuming no changes in behavior, this figure is expected to rise, ranking driving among the top 3 causes of mortality.

Driving is the main cause of death within the Oil and Gas industry, and at Schlumberger we drive 43 million kilometers each month on every terrain and in every condition imaginable. In 2000, Schlumberger implemented a comprehensive driving management system designed to consolidate, leverage, and augment the best practices of our various segments to eliminate accidents through training, communication, in-depth accident reviews, and the use of driving simulators and in-vehicle monitors.

In 2005, the Oil and Gas Producers Association (OGP) adopted our driving standard as the foundation for their recommended land transportation practices for the industry.

Schlumberger Egypt Driving History

In Egypt driving is the biggest daily challenge facing every Schlumberger employee. With more than 550 vehicles on the road, Schlumberger drive more than 60,000 miles per day.

Schlumberger Egypt has successfully managed to reduce the driving risk and number of Automotive Accidents. This was achieved by applying a systematic approach to identify and manage hazards and minimize unnecessary exposure through the implementation of an active driving management system. This system includes prevention and mitigation measures. On the prevention side, this comprises driving policies, standards, procedures, defensive driving training, maintenance systems, journey management procedures, driver performance monitoring and driver counseling. On the mitigation part different measures have been applied such as making the use of seatbelts a condition for employment , monitoring the condition of the vehicle, installing rollover-protection devices, air bags, anti-lock (ABS) braking systems and proper emergency response plans.

These measures were very successful in controlling driving risks between 2001 and 2006 at which point the improvement reached a plateau as shown in figure (A). Experience showed that in real life, generic preventive and mitigation measures are extremely valuable, however, to move further in the quest for zero-loss due to vehicular events, Schlumberger Egypt management had to apply innovative tools and systems to reduce the automotive accidents to the next acceptable level.

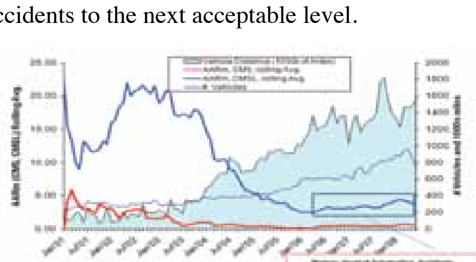


Figure (A), Schlumberger Egypt Automotive accident facts
AARm :(Automotive Accident * miles driven / 1000 Miles) - CMS: (Catastrophic, Major, and Serious)
CMSL :(Catastrophic, Major, Serious, Light)

Schlumberger Egypt Driving Safety Challenges

In the second Half of 2008 Schlumberger Egypt had an increasing trend of automotive accidents as shown in Figure (B), despite the continuous commitment to the implementation of the industrial systematic driving management approaches. This increasing trend acted as an alarm for Schlumberger Egypt management and became the starting point to change the traditional approach for handling driving risk.

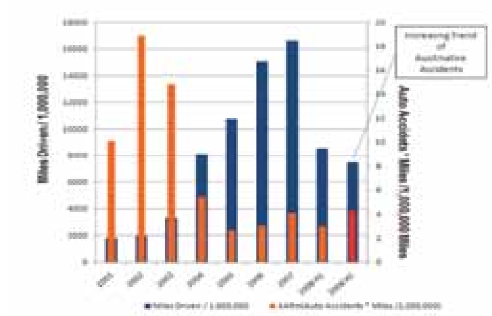


Figure (B) Schlumberger Egypt Invvolved Automotive Accident versus Mileage driven

Driving the Way to Success

The first step was to perform an assessment of the initial risks while recognizing the risk-control measures that were in place. Management assigned this task to the HSE (Health, Safety, and Environmental) team

A deep analysis of the fleet movement trends, drivers, needs and preferences of the employees and automotive accidents root causes was performed to better understand the requirements. The analysis included:

- Commitment from Management to provide required resources
- Commitment from the employees to support the initiatives and provide feedback for further risk reduction
- Buy-in of the drivers to improve their behavior

The initial risk assessment was based on the history of crashes in Schlumberger Egypt (frequency and severity) and the risk control measures in place at the moment of the analysis. As a logical start point the HSE team conducted a Hazards Analysis and Risk Control (HARC) exercise.

Key Areas Assessed:

- **Journey Management Process**

A review of the journey management process and plan at country level and locations level was conducted with a recommendation to centralize the process of monitoring Schlumberger Egypt Journey management and transportation activities through the implementation of the 24/7 Journey Management Center

- **Driver Improvement Monitor**

The driving monitor system used in the locations had several problems of installation and several complaints were received from the drivers. A plan was prepared to replace this system.

- **Resources and Training**

Defensive driving training instructors were certified as per the corporate training catalog; all of them were certified trainers and time availability became an issue with the increase in the activity, affecting the quality of the training they were providing.

- **Condition of the Fleets**

All light vehicles were found in good condition and with full compliance with the corporate standard. In fact the safety devices required by the standard (i.e. air bags, seat belts, ABS system, head rest) reduced the severity of the accidents.

- **Contractor transportation management**

Several local Heavy Vehicle transport contractors were used to transport equipment/tools of Schlumberger Egypt. A complete management system was put in place to manage those contractorsand a thorough selection process was established to identify one single contractor to provide heavy transportation.

Improvement Plan Philosophy:

Once the analysis was finalized, results were presented to management and several measures and systems were implemented:

Schlumberger Egypt 24/7 Journey Management Center (JMC)

The JMC is a 24/7 center that houses the hardware, application software, telecommunication technology, and staff that allows monitoring and responding to Schlumberger Egypt land transportation activities to achieve a zero crash target. The main responsibilities of JMC are:

-Driver/Vehicle Data base management: maintain a complete database for drivers/vehicles within JMC area of operation, including monitoring and tracking the certification of vehicles and drivers to ensure a fully compliant operation.-Real time journey tracking: monitor all journeys on 24/7 basis from start until safe arrival and ensure all pre-trip and en-route approvals and procedures are being implemented.

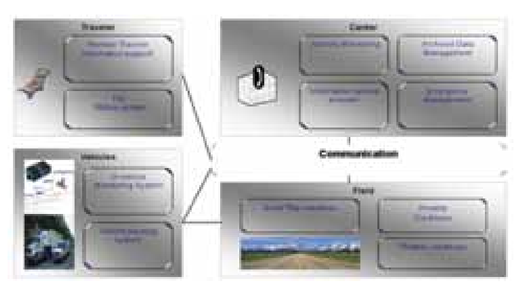


Figure (C) 24/7 Journey Management Center Architecture

-Driver Monitor System Data trends and analysis: establishment and maintenance of an email based reporting framework for location managers , with monthly , weekly contact with location management to work through identified driver and vehicle related trends-with appropriate corrective actions being recommended

- Road Hazard Assessment: Identify Schlumberger Egypt transportation network and ensure all roads have been risk assessed and communicate the risk associated with every road to drivers before commencing any trip.

Electronic Web Based Journey management system (Ejourney)

Ejourney is a Schlumberger world wide web-based application, it enables the management and monitor of the journey progress from start until the safe arrival, Ejourney allows:

-logging, tracking and approval of all journeys electronically

-provides online review of pre-journey risk assessment/accountability

-automatic alert and ability to monitor journey by the JMC

-automatic notification to management to review/approve journeys online

-promote accuracy of journey plan

-electronic documentation of trip details

New Driver Improvement and In Vehicle Monitoring System

A replacement of the driver monitor system with a state of the art one based on GSM/GPRS network has been implemented in Schlumberger Egypt Vehicles. The system allows:

-Automatic download of driver monitor system data through GSM/GPRS network at any time anywhere

-Ability to know the status of the vehicle (parked, idling, moving) and who is driving the vehicle at any time

-ability to notify fleet supervisors through SMS with different type of alarms in real time such as : over speeding, excessive idle, vehicle moving without journey management, unnecessary night driving, driving for a long time without a rest, extreme harsh breaking (possible accident) ,etc..

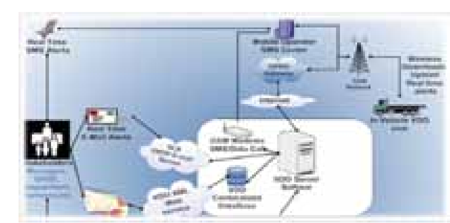


Figure (E) wireless in vehicle monitoring system Architecture

Establishment of Driving Safety Organization

Hiring a dedicated Driving Safety Manager for Schlumberger Egypt was a step change in driving performance, with main responsibility to apply a complete management Driving system and focus on enhancing driver's performance and skills.

Training and Driver Skill Assessment Improvement

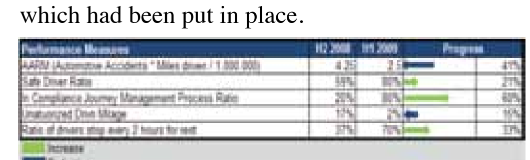
-Dedicated processional driver trainers: Schlumberger managed to get full time professional driver trainers with main focus to maintain an outstanding level of driver training quality.

-Driving Simulator

Schlumberger improved driver training by using a driving simulator program that enables employees to improve their driving skills in realistic oilfield conditions such as narrow roads, mud roads, desert road; different weather conditions such as fog ,rain , wind. It also simulates other situations such as head on collision avoidance , merge squeezes , interaction and avoidance of pedestrians and animals.

Results (the Fast Return on Investment)

Schlumberger Egypt successfully improved overall safety performance between 2008 and July 2009 , for example the automotive accident rate dramatically decreased by 41% and the percentage safe drivers improved by 21 % , this through the innovate risk based driving safety management plan which had been put in place.



Performance Measures	H2 2008	H1 2009	Progress
AARM (Automotive Accidents * Miles driven / 1,000,000)	4.25	2.5	41%
Safe Driver Ratio	59%	80%	21%
In Compliance Journey Management Process Ratio	20%	80%	60%
Unauthorized Drive Milage	17%	2%	15%
Ratio of drivers stop every 2 hours for rest	37%	70%	33%

Increase
Reduction

Figure (F) Schlumberger Egypt Driving Safety Success Story

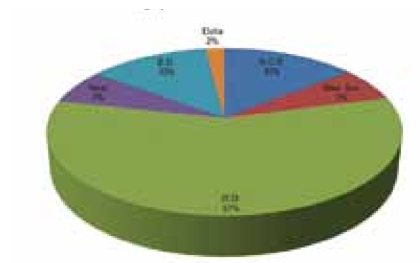
Conclusions

Driving is the main challenge facing Schlumberger on a daily basis, and we in Schlumberger will keep taking the leadership in the implementation of innovative solutions and systems for better safety trends and zero crash environment.

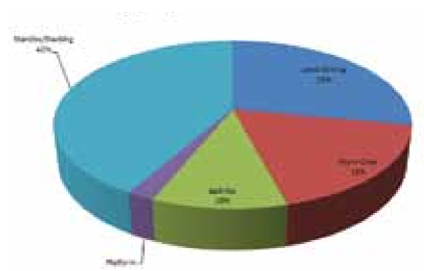
Table 1 Egypt Rig Count per Area -January 2010

	RIG COUNT		
Area		Total	Percentage of Total Area
Gulf of Suez		21	14%
Offshore	21		
Land			
Mediterranean sea		10	7%
Offshore	10		
Land			
Western Desert		85	57%
Offshore			
Land	85		
Sinai		10	7%
Offshore			
Land	10		
Eastern Desert		19	13%
Offshore			
Land	19		
Delta		3	2%
Offshore			
Land	3		
Total		148	100%

Rigs per Area January 2010



Rigs per Specification



Source: Egypt Oil & Gas

Table 2 World Oil Supply[1] (Thousand Barrels per Day)

		United States[2]	Persian Gulf[3]	OAPEC[4]	OPEC[5]	World
2009 February	E	8,754	22,445	23,358	33,400	83,655
March	E	8,842	22,502	23,396	33,350	83,601
April	E	8,879	22,593	23,432	33,498	83,715
May	E	9,040	22,696	23,506	33,586	83,312
June	E	9,987	23,017	23,821	33,759	83,611
July	E	9,007	23,335	24,189	34,170	84,457
August	E	9,084	23,288	24,156	34,352	84,267
September	E	9,297	23,200	24,059	34,309	84,619
October	PE	9,279	23,182	24,027	34,381	85,302
2009 10-Month Average	PE	8,992	22,861	23,717	33,825	83,971

1 «Oil Supply» is defined as the production of crude oil (including lease condensate), natural gas plant liquids, and other liquids, and refinery processing gain (loss).
2 U.S. geographic coverage is the 50 States and the District of Columbia. Beginning in 1993, includes fuel ethanol blended into finished motor gasoline and oxygenate production from merchant MTBE plants. For definitions of fuel ethanol, oxygenates, and merchant MTBE plants
3 The Persian Gulf countries are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates. Production from the Kuwait-Saudi Arabia Neutral Zone is included in Persian Gulf production.
4 OAPEC: Organization of Arab Petroleum Exporting Countries: Algeria, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates.
5 OPEC: Organization of the Petroleum Exporting Countries: Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.
E=Estimated data. RE=Revised estimated data. PE=Preliminary estimated data.
Revised data are in ***bold italic font.***

Source: EIA

Average Currency Exchange Rate against the Egyptian Pound (December 2009 / January 2010)

US Dollar	Euro	Sterling	Yen (100)
5.449	7.929	8.801	6.020

Stock Market Prices (December 2009 / January 2010)

Company	High	Low
Alexandria Mineral Oils [AMOC.CA]	39.61	37.92
Sidi Kerir Petrochamicals [SKPC.CA]	11.20	10.17

Table 1 Wortld Crude Oil Production (Including Lease Condensate) (Thousand Barrels per Day)

	Libya	Sudan	Other	World	OPEC[1]	Persian Gulf[2]	North Sea[3]
2009 February	1,650	460	2,461	72,022	30,288	20,076	4,005
March	1,650	470	2,492	71,947	30,223	20,114	3,988
April	1,650	480	2,437	71,966	30,344	20,179	3,821
May	1,650	480	2,413	71,430	30,399	20,249	3,523
June	1,650	485	2,403	71,679	30,514	20,511	3,484
July	1,650	490	2,403	72,432	30,857	20,771	3,747
August	1,650	495	2,418	72,228	31,012	20,711	3,231
September	1,650	500	2,409	72,529	30,962	20,616	3,312
October	1,650	500	2,411	73,121	31,012	20,577	3,600
2009 10-Month Average	1,650	481	2,432	72,105	30,595	20,382	3,661

1 OPEC: Organization of the Petroleum Exporting Countries: Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.
2 The Persian Gulf countries are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates. Production from the Kuwait-Saudi Arabia Neutral Zone is included in Persian Gulf production.
3 North Sea includes the United Kingdom Offshore, Norway, Denmark, Netherlands Offshore, and Germany Offshore.
Revised data are in ***bold italic font.***

Source: EIA

Table 3 World Natural Gas Liquids Production (Thousand Barrels per Day)

	Algeria	Canada	Mexico	Soudi Arabia	Russia	Former U.S.S.R	United States[1]	Persian Gulf[2]	OAPEC[3]	OPEC[4]	World
February	341	692	364	1,305	402	_	1,792	2,235	2,692	3,960	7,851
March	338	672	374	1,329	402	_	1,850	2,254	2,706	2,975	7,907
April	338	668	379	1,350	405	_	1,851	2,280	2,730	3,002	7,918
May	338	657	382	1,374	426	_	1,934	2,313	2,755	3,035	8,028
June	338	651	363	1,435	428	_	1,901	2,372	2,817	3,094	7,989
July	347	656	366	1,489	429	_	1,884	2,430	2,881	3,162	8,096
August	350	658	373	1,491	432	_	1,896	2,444	2,896	3,188	8,088
September	350	648	364	1,493	436	_	1,941	2,450	2,900	3,195	8,128
October	350	650	361	1,511	436	_	1,953	2,472	2,919	3,218	8,222
2009 10-Month Average	344	663	369	1,409	420	_	1,873	2,346	2,797	3,078	7,993

1 U.S. geographic coverage is the 50 states and the District of Columbia. Excludes fuel ethanol blended into finished motor gasoline.
2 The Persian Gulf countries are Bahrain, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates.
3 OAPEC: Organization of Arab Petroleum Exporting Countries: Algeria, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates.
4 OPEC: Organization of the Petroleum Exporting Countries: Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.
- - = Not applicable. E=Estimated data. PE=Preliminary Estimated data.
Revised data are in ***bold italic font.***
Notes: Monthly data are often preliminary and also may not average to the annual totals due to rounding.

Source: EIA

Table 4 OECD[1] Countries and World Petroleum (Oil) Demand (Thousand Barrels per Day)

	France	German	Italy	United Kingdom	OECD Europe[2]	Canada	Japan	South Korea	United States[3]	Other OECD[4]	OECD[1]	World
2009 February	2,049	2,613	1,585	1,701	**15,059**	2,221	4,716	2,490	18,706	3,406	**46,598**	NA
March	1,966	2,723	1,531	1,742	**14,918**	2,154	4,611	2,218	18,672	3,365	**45,938**	NA
April	1,847	2,475	1,531	1,710	**14,411**	2,049	4,226	2,241	18,471	3,329	**44,727**	NA
May	1,715	2,329	1,490	1,616	**13,741**	2,062	3,818	2,159	18,176	3,354	**43,310**	NA
June	1,865	2,363	1,545	1,694	**14,562**	2,142	4,064	2,109	18,762	3,463	**45,100**	NA
July	1,885	2,408	1,704	1,662	14,696	**2,175**	3,996	2,036	18,771	**3,487**	**45,162**	NA
August	1,623	2,259	1,407	1,657	**13,756**	**2,189**	4,172	2,096	18,732	**3,458**	**44,403**	NA
September	1,931	2,545	1,608	1,675	14,976	2,298	4,142	2,066	18,362	3,417	45,261	NA
2009 9- Month Average	1,878	2,454	1,547	1,689	14,535	2,169	4,285	2,191	18,642	3,397	45,219	NA

1 OECD: Organization for Economic Cooperation and Development.
2 OECD Europe consists of Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.
3 U.S. geographic coverage is the 50 States and the District of Columbia.
4 Other OECD consists of Australia, Mexico, New Zealand, and the U.S. Territories.
NA=Not available.
Revised data are in ***bold italic font.***
Notes: The term Demand is used interchangeably with Consumption and Products Supplied.

Source: EIA

Table 5 International Stock Prices Mid-December 2009 - Mid-January 2010

International Stock	High	Low
Schlumberger [SLB] NYSE [US Dollars]	70.85	62.95
Halliburton [HAL] NYSE [US Dollars]	34.12	29.62
Exxon Mobil [XOM] NYSE [US Dollars]	69.95	68.19
Atwood Oceanics [ATW] NYSE [US Dollars]	39.95	35.85
Weatherford [WFT] NYSE [US Dollars]	20.47	17.08
Shell [RDS.A] NYSE [US Dollars]	62.42	58.07
Apache [APA] NYSE [US Dollars]	107.66	66.86
Baker Hughes [BHI] NYSE [US Dollars]	47.28	40.48
BJ [BJS] NYSE [US Dollars]	21.46	18.60
Lufkin [LUFK] NYSE [US Dollars]	74.43	67.79
Transocean [RIG] NYSE [US Dollars]	93.00	82.59
Transglobe [TGA] NYSE [US Dollars]	3.73	3.35
BP [BP.] LSE Pence Sterling	635.50	574.30
BP [BG.] LSE Pence Sterling	1235.00	1086.00
Dana Gas [Dana] ADSM US Dollars	1.03	0.93
Caltex [CTX] ASX Australian Dollars	9.70	8.20
RWE DWA [RWE AG ST] Deutsche-Borse Euros	68.58	65.46
Lukoil [LKOH] RTS [US Dollars]	59.77	54.20

Source: Egypt Oil & Gas

Fig 1 Egypt Suez Blend Price

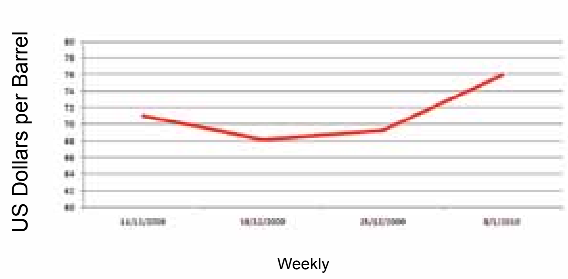


Fig 2 Natural Gas Price

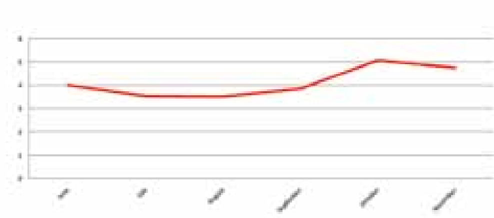
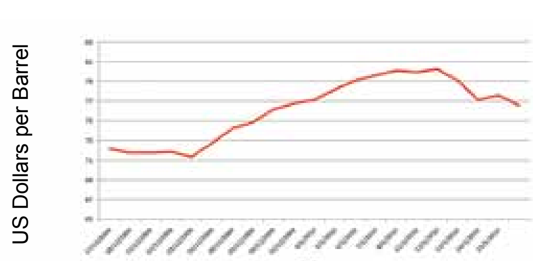
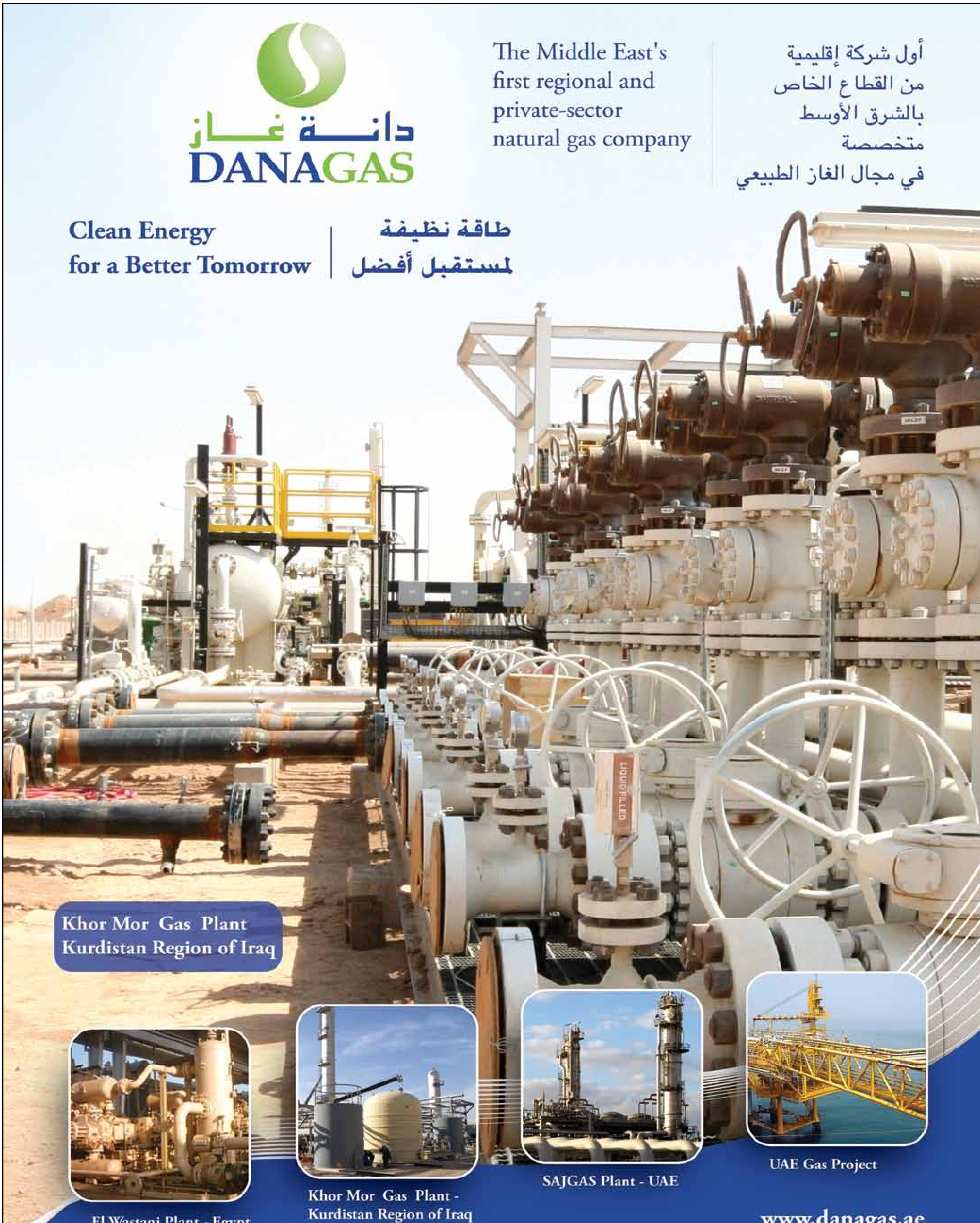


Fig 3 OPEC Basket Price



Source: Egypt Oil & Gas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